Annual Report and Accounts 2002

Tarsus Group plc

Year ended 31 December 2002

TARSUS

CONTENTS

DIRECTORS AND ADVISORS

TARSUS GROUP plc
Registered Number 2000544

Directors

N D Buch	Executive Chairman
J D Emslie	Group Managing Director
D P Delaney	Group Finance Director
B Becker	Executive Director
P O'Donnell	Non-Executive Director
C A Smith	Non-Executive Director
R T E Ware	Non-Executive Director

Secretary

P F C Begg

Registered Office

Commonwealth House
2 Chalkhill Road
London W6 8DW

Financial Advisors

KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

Stockbrokers

KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

Charles Stanley and Company Limited
25 Luke Street
London EC2A 4AR

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Principal Bankers

Barclays Bank PLC
54 Lombard Street
London EC3V 9EX

Solicitors and Legal Advisors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Registrars and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

CHAIRMAN'S AND MANAGING DIRECTOR'S STATEMENT

RESULTS

Trading results for Tarsus were mixed for the year ended 31 December 2002. Robust performances from the Group's core products were offset by weak trading in France, poor performances from the smaller products in the portfolio (most of which have been discontinued or sold) and adverse foreign exchange movements. Our cost reduction programme is substantially complete. The management team is now focused on growing our core products and launching new exhibitions in these sectors, where we have market leadership.

Turnover from continuing operations for the year ended 31 December 2002, including the group's share of joint venture turnover, was £18,844,000 (2001: £24,415,000) resulting in a profit before tax, exceptional items and goodwill amortisation from continuing operations of £2,006,000 (2001: £2,729,000). Adjusted earnings per share were 4.0p (2001: 6.6p). The carrying value of our goodwill has been written down by £10,566,000 (2001: £16,293,000), primarily relating to French acquisitions. As a result, the loss on ordinary activities before tax was £18,929,000 (2001: £19,152,000) after goodwill amortisation and impairment write-downs of £14,734,000 (2001: £20,526,000), other exceptional items of £2,943,000 (2001: £1,355,000), operating loss on discontinued operations of £601,000 (2001: £nil) and profit on sale of discontinued operation of £5,000 (2001: £nil).

Your Directors propose to pay a final dividend of 2.2p per share. This dividend, which is unchanged from last year's dividend, is approximately twice covered by earnings per share from the Group's continuing business. The dividend is subject to Shareholder approval at the Annual General Meeting to be held on 25 April 2003. Subject to that approval, it will be paid on 28 April 2003 to Shareholders on the Register of Members of the Company on 14 March 2003. The Company proposes to continue to give Shareholders the ability to elect to take this dividend in cash or as a scrip issue in new Ordinary Shares or as a combination of the two. Your Directors intend, based on the current share price, to take scrip in respect of 20,283,943 of their Ordinary Shares, in aggregate, representing approximately 98 per cent of their total Shareholdings and 54 per cent of the issued Share Capital of the Company.

OPERATING REVIEW

USA

The major contributors in the year were the Off-Price Specialist shows in Las Vegas in February and August and Labelexpo Americas in Chicago in September. The Off-Price Specialist shows saw like-for-like volume increases of 9 per cent and 11 per cent respectively compared with the equivalent events in 2001 – a record performance for the second year running. Labelexpo Americas saw volumes contract by 15 per cent owing to the impact of the recession and market consolidations. In both cases, the exhibitions were well received by our customers. Contracted sales for the next edition of Labelexpo Americas were very strong with 92 per cent of 2002 volumes contracted for 2004.

United Kingdom

Trading results from this division's small products were disappointing and the portfolio has been substantially reduced. Labelexpo Europe, the Group's largest event this year, which takes place in September 2003 in Brussels, has already contracted 100 per cent of its budgeted volume. The Labels & Labelling magazine, which supports the Labelexpo brand, produced a solid performance with revenues up 20 per cent year on year, boosted by improved yields. Exhibition Bulletin's performance was impacted by difficult trading conditions in its sector and action has been taken to strengthen the sales and marketing team.

France

The full effects of the recession were felt in France in the second half of 2002. Strong action was begun early in 2002 in anticipation of these weak trading conditions. The cost base has now been significantly reduced notwithstanding the legal difficulties in achieving a rapid reduction in personnel costs in France.

Resilient performance from our exhibition portfolio, Progiforum (accounting software), Progilog (logistics software) and Educatec (training) were more than offset by weak trading performances from our marketing portfolio and our smaller niche IT products. Rebookings for our exhibitions programme in 2003 are encouraging.

Management

As part of our strategy to focus on our core products and to bring our cost base into line with revenues, a number of senior management changes occurred during the year and shortly after the year end. Bernard Becker replaced Louis Vaudeville in January 2003 as Director in charge of our French operations. Bernard Becker was a main Board director of Blenheim Group PLC and directeur général of Groupe Blenheim SA for six years until 1994. He was subsequently chairman of Reed Elsevier's European exhibition division for five years. Adrian Broadbent and Nick Helyer resigned as Directors of the Company in April 2002.

Developments

In September 2002 we purchased the BPC exhibition that services the Bottling, Packaging and Canning Industries. We have launched this exhibition as a European event alongside Labelexpo Europe to be held in Brussels in September 2003.

Also in September 2002, we entered into a 50:50 Joint Venture agreement with Reed Elsevier plc in France to launch a Direct Marketing exhibition to be held in May 2003. This exhibition will be supported by our two marketing magazines and electronic newsletters in France and completes our integrated marketing strategy in this sector.

Following customer demand during Labelexpo Americas in September 2002, we launched Labelexpo China to take place in December 2003 in Shanghai. To support our international labelling sector strategy, we launched our market-leading magazine, Labels & Labelling, online. The total circulation of the magazine has increased by 31 per cent during the year to 25,108.

Following consultations with the Off-Price industry, we have launched a third West-Coast Off-Price exhibition in Las Vegas in May 2003.

Initial indications from these four exhibition initiatives are positive and we anticipate additional exhibition launches in our core markets in 2004.

CURRENT TRADING AND PROSPECTS

The past three years have further demonstrated the resilience of leading brands in a time of media recession. Tarsus is now clearly focused on its core products and we have taken strong action to bring our cost base into line with anticipated revenues. Management is now focused on growing our business organically. Notwithstanding unpredictable economic and political environments, we have continued to invest for the future by launching a number of exciting new products. 2003 has started on a promising note with another record Off-Price show in February. We now have a solid base from which to grow our business and your Directors anticipate a satisfactory performance in 2003.

Neville Buch
Executive Chairman
19 March 2003

Douglas Emslie
Group Managing Director
19 March 2003

FINANCE DIRECTOR'S REVIEW

PROFIT AND LOSS

The Group has achieved an adjusted profit before tax, exceptional items, discontinued operations and goodwill amortisation of £2,006,000 (2001: £2,729,000), representing a decrease of 26 per cent over the prior year. The Group's operating loss on ordinary activities before taxation was £18,929,000 (2001: £19,152,000).

Goodwill amortisation amounted to £3,881,000 (2001: £4,093,000) on the continuing operations, £69,000 (£2001: £nil) on the discontinued operations and £218,000 (2001: £140,000) on our French joint venture, MM Star. The Group carried out a review of the carrying values of its investments at 31 December 2002. This review resulted in an exceptional write down of goodwill of £10,566,000 (2001: £16,293,000) and £2,662,000 on our joint venture (2001: £nil).

Discontinued operations during the year accounted for turnover of £933,000 and operating loss before tax, goodwill amortisation and interest of £601,000.

BALANCE SHEET

Net liabilities as at 31 December 2002 were £2,085,000 (2001: net assets £13,637,000), a decrease of £15,722,000 in the year. This decrease is mainly due to the goodwill impairment review undertaken in accordance with Financial Reporting Standard 11 ("FRS 11"), resulting in an exceptional write-off of £13,228,000 on the goodwill existing at the end of the prior year, including our joint venture.

Goodwill is reflected in the intangible assets balance. All goodwill associated with acquisitions is capitalised in the balance sheet and amortised over the estimated useful economic life of the relative acquisitions. The current Group policy is that goodwill on new media acquisitions is written off over 10 years, whilst goodwill on traditional media acquisitions is written off over 20 years.

It is the policy of the Group to recognise profits of an event only on completion of such an event. Until completion such profits are held on the balance sheet. Where a loss is predicted for an event, the loss is recognised in the profit and loss account in the period the loss is first anticipated. Therefore included in net current liabilities are deferred revenues of £4,459,000 (2001: £4,569,000). Prepaid costs of £750,000 (2001: £538,000) are included in debtors.

Deferred consideration payments for acquisitions are disclosed in the balance sheet as creditors, split between amounts due within one year £420,000 (2001: £771,000) and those amounts due after more than one year £124,000 (2001: £856,000).

The provisions of £1,390,000 (2001: £1,354,000) represent unpaid restructuring costs, legal provisions and a provision for tax as at the balance sheet date.

TREASURY AND FINANCIAL INSTRUMENTS

The Group carries out regular reviews of its facility. As at 31 December 2002 the net facility was £17,175,000 (2001: £19,500,000). At the year end the Group had net debt of £15,351,000 (2001: £17,282,000). The net debt includes £5,200,000 (2001: £5,700,000) in the form of outstanding loan notes that are offset by a bank deposit of £5,200,000. The Group continues to operate within its banking covenants. The Group focuses on cash flows and monitors cash and overdraft balances on a weekly basis.

The major cash outflows during the year were acquisition and debt repayment related. The cash portion of acquisitions and associated expenses totalled £249,000 (2001: £3,395,000). Deferred consideration payments on prior acquisitions amounting to £751,000 (2001: £1,828,000) were paid during the year. £500,000 of loan notes were repaid.

Other cash outflows during the year included interest paid of £779,000 (2001: £1,398,000), tax payments totalling £128,000 (2001: £401,000) and a dividend payment of £474,000 (2001: £644,000). The dividend per share remained constant at 2.2p per share from 2001 to 2002 and the Group continues to offer shareholders the opportunity to elect to take the dividend in cash or as a scrip issue in new ordinary shares. The offer of a scrip issue in lieu of cash dividend has subsequently reduced the cash outflow in 2002. Additional cash outflows related to capital investment in fixed assets of £78,000 (2001: £324,000).

Cash inflows include the net proceeds of a placing and open offer of £4,627,000 and interest received of £304,000 (2001: £276,000).

The Group's financial instruments comprise bank loans and bank overdrafts, cash and various items such as debtors and creditors that arise directly from its commercial operations. The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk and, to a lesser degree, liquidity risk. The Group's exposure in this regard is detailed in note 26.

The Group does not take major positions in foreign currency. The Group operates on the basis that there is in effect a natural hedge against exchange rate exposures from the profits and losses of the overseas operations by holding debt in the relevant currency of those operations.

POST BALANCE SHEET EVENT

Disposal of Organex

On 17 January 2003, Tarsus Organex Limited, a wholly owned subsidiary of Tarsus Group plc, sold its UK Organic food exhibition, Organex, to Full Moon Communications Limited, a subsidiary of Diversified Business Communications Inc for a consideration of up to £750,000.

Tarsus received £135,000 cash on completion and deferred consideration of up to £615,000 based on revenues generated from Organex exhibitors for the April 2003 and 2004 Natural Products exhibition in to which the Organex exhibition has been merged.

ACCOUNTING POLICIES

The accounting policies of the Group are set out on pages 29-30.

DIVIDEND POLICY

The Directors take a prudent approach to dividend payments and will make payments only when commercially viable to do so.

As reported in the Annual Report and Accounts for the year ended 31 December 2001, the Company was technically unable to pay a final dividend by reference to the results of the Company for that year. It was proposed that, subject to Court approval of a reduction in share premium account by £18,000,000, the Company would pay a dividend of 2.2p per share relating to the year ended 31 December 2001, but this would be paid as an interim dividend in 2002 rather than a final dividend for 2001. The Company obtained the approval of the Court on 27 February 2002 and the necessary shareholder approval at the Annual General Meeting of the Company held on 31 May 2002. The 5,628,905 ordinary shares of 5p each of the Company, which were issued on 12 April 2002 pursuant to a Placing and Open Offer, did not rank for the dividend paid on 2 July 2002.

The Directors are now pleased to announce a proposed final dividend of 2.2p per share for the year ended 31 December 2002.

Damian Delaney
Group Finance Director
19 March 2003

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Group operates principally as an integrated media group spanning exhibitions, conferences, publishing and the Internet. The Group operates in the United Kingdom, Continental Europe, Asia and the United States.

A review of the business is given in the Chairman's and Managing Director's Statement and in the Finance Director's Review on pages 3 to 6 and information on the principal businesses acquired or disposed of from 1 January 2002 to date is disclosed in the notes to the financial statements.

RESULTS FOR THE YEAR AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account on page 24.

Subject to the approval of shareholders at the Annual General Meeting, to be held on 25 April 2003, the directors propose to pay a dividend of 2.2p per share on 28 April 2003 to shareholders on the Register of Members on 14 March 2003.

As advised to shareholders, on 6 March 2003, in the preliminary announcement of results for the year ended 31 December 2002, the Company proposes to give shareholders the ability to elect to take this dividend in cash or as a scrip issue in new ordinary shares or as a combination of the two. The directors are empowered to offer this scrip alternative pursuant to an ordinary resolution of the Company passed at an Extraordinary General Meeting held on 29 April 2002.

The "relevant value" of the ordinary shares of the Company to be issued by way of scrip alternative is determined by reference to Article 130(ii) of the Company's Articles of Association, and is the average value of the Company's ordinary shares for the five dealing days starting from and including 12 March 2003, that being the day when ordinary shares were first quoted "ex-dividend".

Full details of the scrip dividend alternative (including details of a mandate scheme for the convenience of shareholders who wish, if and to the extent that scrip dividend alternatives are offered in the future, to elect automatically to receive fully paid ordinary shares instead of cash in respect of future dividends to which they may be entitled) are being sent to shareholders, together with Forms of Election or Statements of Entitlement (as appropriate) in a separate circular.

POST BALANCE SHEET EVENTS

Disposal of Organex

By an agreement dated 17 January 2003 between Tarsus Organex Limited and Diversified Business Communications Inc, ("Diversified") Tarsus Organex Limited agreed to sell its Organex trade show to Full Moon Communications Limited, a subsidiary of Diversified for a consideration of £135,000 in cash on completion (which took place on 4 March 2003) and a deferred consideration relating to receipts from the 2003 and 2004 editions of Full Moon's Natural Products Europe/Organic Products Europe show, which is to be merged with the Organex show. The aggregate consideration cannot exceed £750,000. The agreement of 17 January 2003 was replaced on completion by a more formal agreement between the parties and a number of collateral agreements.

DIRECTORS AND THEIR INTERESTS

The following Directors held office during the year:

N D Buch
J D Emslie
D P Delaney
L Vaudeville (resigned on 13 January 2003)
B Becker (appointed on 13 January 2003)
A M Broadbent (resigned on 17 April 2002)
N P Helyer (resigned on 17 April 2002)
P O'Donnell
C A Smith
R T E Ware

The interests of the Directors in the shares of the Company as set out in the register maintained by the Company pursuant to Section 325 of the Companies Act 1985 are set out in the remuneration report on pages 14-18. Except as referred to in note 28 to the financial statements, no director had or has any material interest in any contractual agreement existing during or at the end of the year which is or may be significant to the Company or the Group.

DETAILS OF THE NON-EXECUTIVE DIRECTORS

Philip O'Donnell, 57, has been involved with the Group since 1976. He was instrumental in the flotation of the Company on the USM in 1986 (and its subsequent elevation to the Official List in December 1996) and was the Chairman and Chief Executive from the original flotation until February 1998, when he resigned as Chairman in favour of Mr Buch.

Clive Smith, 59, joined the Company in June 1998. He has been in the exhibition industry for all of his working life and is the founder of the Labelex Group of companies. He joined United Trade Press Limited in 1966 as a sales manager in its exhibition division. He left that company in 1974 to set up his own business, Clive Smith & Associates. In 1979 he established Labelex to incorporate the exhibition interests of that business and to launch the Labelex exhibition in the United Kingdom.

Robert Ware, 48, has been a Director of MEPC Limited ("MEPC") since 1997. Initially corporate development director, he has been the deputy chief executive since May 1999. His work at MEPC has included managing a strategic revision to the investment property portfolio. Between leaving KPMG in 1985 and joining MEPC, he was managing director of Clayform Properties plc (now called Development Securities plc), a property investment and development company. He is the senior non-executive director.

DETAILS OF THE EXECUTIVE DIRECTORS

Neville David Buch, 57, (Executive Chairman), joined the Company in December 1996. He was previously executive chairman of Blenheim Group PLC, a leading international exhibition, publishing and conference company which was acquired by United News & Media plc for £593 million in 1996. Mr Buch is also non-executive chairman of I2S plc.

James Douglas Emslie, 36, (Managing Director), was Financial Planning Director of Miller Freeman Worldwide Plc, the exhibitions and trade magazine division of United News & Media plc, until March 1998 when he joined the Company. He previously held the same position at Blenheim Group PLC prior to its takeover. Before joining Blenheim Group PLC in 1993, Mr Emslie worked for Arthur Andersen in both the United Kingdom and the United States. He was admitted to the Institute of Chartered Accountants of Scotland in 1990.

Damian Paul Delaney, 39, (Finance Director), was the Group's financial controller from September 1999 and was appointed Group Finance Director on 2 February 2000. He was formerly financial systems director of Miller Freeman Worldwide plc and prior to that the financial planning manager of Blenheim Group PLC. He qualified as a chartered accountant with Coopers & Lybrand in South Africa.

Bernard Becker, 52, was a main Board Director of Blenheim Group PLC and directeur général of Groupe Blenheim SA for six years until 1994. He was subsequently chairman of Reed Elsevier's European exhibition division for 5 years.

The business address of each of the Directors is Commonwealth House, 2 Chalkhill Road, London W6 8DW.

RE-ELECTION OF DIRECTORS

Article 86 of the Company's Articles of Association entitles the directors to appoint an additional director, but any director appointed in this way must retire from office at the first Annual General Meeting following his appointment. As a result, Bernard Becker will retire and will submit himself for election at the Annual General Meeting.

Article 87 of the Company's Articles of Association requires that at every Annual General Meeting one third of the current directors must retire. Where the number of directors is not a number divisible by three, the number of directors to retire is to be the number which is nearest to and less than one third. On this basis two of the Company's seven directors must retire by rotation at the Annual General Meeting to be held on 25 April 2003. Article 88 states that the directors to retire by rotation will be those directors who have been directors longest since they were last elected. On this basis Robert Ware and Neville Buch, who were last re-elected on 14 March 2000, will retire by rotation.

DONATIONS

Charitable donations in the year were £870 (charitable donation 2001: £nil). There were no political donations.

EMPLOYEE INVOLVEMENT

The Company continues to maintain its commitment to employee involvement. Employees are kept informed of corporate results and business developments by regular announcements. The Group pursues a policy of equal opportunity for all employees and potential employees. People with disabilities are, wherever possible, given the same opportunities for employment, training, career development and promotion, taking into account their individual abilities and qualifications. The Company continues to consult with employees on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

CREDITOR PAYMENT POLICY

It is not the Company's policy to follow any standard or code on payment practice. However, the Company agrees payment terms with its suppliers on an individual basis and abides by those payment terms. Creditor days at the end of the year amounted to 86 (2001: 86).

CHANGES IN SHARE CAPITAL

The following changes have taken place to the share capital of the Company since 1 January 2002:

	Number of Ordinary Shares
Issued share capital as at 1 January 2002	31,897,130
Exercise of Share Options on 2 April 2002	31,590
Issued on Placing and Open Offer on 12 April 2002	5,628,905
Issued on Scrip Alternative on 24 June 2002	261,445
Exercise of Share Options on 27 September 2002	3,443
Issued share capital as at 31 December 2002	37,822,513

SUBSTANTIAL SHAREHOLDINGS

At 19 March 2003 the Company had been notified of the following discloseable interests in its issued ordinary share capital pursuant to sections 198 to 208 of the Companies Act 1985:

	Number of Ordinary Shares	Percentage at 19 March 2003
N D Buch[1]	10,307,012	27.25
C A Smith	4,844,911	12.81
P O'Donnell	4,567,105	12.08
G E Bud	1,588,759	4.20
Lattice Group Pension Scheme	1,525,685	4.17
F F Joshi	1,568,659	4.15

No persons other than those listed above had interests of more than 3 per cent of the issued ordinary share capital of the Company.

CONTRACTS OF SIGNIFICANCE

1. **September 2002 – Direct Marketing Joint Venture with Reed and Acquisition of SICEP and JFMD**

   By an agreement dated 25 September 2002, Tarsus Groupe MM SA agreed with Reed Expositions France SAS, a wholly-owned subsidiary of Reed-Elsevier plc, to establish a new 50:50 joint company in France to promote and organise a new exhibition for the direct marketing sector.

   The joint venture company, called MD Management sas, purchased from Delling Expo sarl the rights and assets of two existing annual exhibitions in the direct marketing sector, namely SICEP (Salon International du Courrier Electronique et Postal) and JFMD (Journees Franciliennes du Marketing Direct). The management of the new exhibition is contracted to Reed Expositions pursuant to a contract dated 25 September 2002.

   The first edition of the new show, to be called MD Expo, will be held from 20 to 22 May 2003 at Porte de Versailles in Paris.

2. **September 2002 – Acquisition of BPC**

   On 17 September 2002, Tarsus Exhibitions and Publishing Limited, a wholly owned subsidiary of Tarsus Group plc, purchased from Binsted Exhibitions the rights to the assets of the BPC (Bottling, Packaging and Canning) exhibition for the sum of up to £2,000,000.

   The aggregate purchase consideration for the goodwill and intellectual property rights will be an amount equal to 1.33 times the pre-tax profits of the 2003 edition of the BPC exhibition, plus an amount equal to 0.33 times the pre-tax profits of the 2005 edition of the event.

[1]Of the ordinary shares held by N D Buch 6,721,515 ordinary shares are held by the N D Buch Life Interest Settlement and 269,230 ordinary shares are owned by Owlcastle Limited, a company in which Mr Buch has a 50 per cent beneficial interest.

3. **July 2002 – Disposal of 80.1% interest in Trade Show News Network Inc ("TSNN")**

Stockholders Agreement

By a series of agreements dated 1 July 2002, Tarsus Partners reached a revised arrangement with the stockholders of TSNN whereby its shareholding would be diluted to 19.9%.

Tarsus has a minority blocking right over certain key activities such as the issue of further shares and is entitled to take up its pro rata percentage of any new issue of shares which may be agreed.

The shareholders have a right of first refusal to purchase shares that any other shareholder wishes to sell. As an alternative they have participation rights enabling shareholders to participate on a pro rata basis in any sales to third parties. Selling shareholders are subject to post-sale restrictions on solicitation of employees or customers of TSNN.

If there is an Approved Sale (meaning a sale of TSNN or of the entire business of TSNN, which is approved by the TSNN Board) the stockholders must accept it. Tarsus has a blocking right over any Approved Sale.

4. **January 2003 – Disposal of Organex to Diversified Business Communications**

By an Agreement dated 17 January 2003 between Tarsus Organex Limited and Diversified Business Communications Inc, ("Diversified") Tarsus Organex Limited agreed to sell all its rights and assets associated with the Organex trade show to Full Moon Communications Limited, a wholly owned subsidiary of Diversified. The consideration payable for the trade show is £135,000 on completion, plus deferred consideration relating to receipts from the 2003 and 2004 editions of the purchaser's show NPE/OPE. The aggregate Consideration cannot exceed £750,000. On 4 March 2003 this agreement was replaced by a more formal agreement between the above parties, Full Moon Communications Limited and Tarsus Group plc.

CLOSE COMPANY STATUS

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988. There has been no change in this respect since the end of the financial year.

ANNUAL GENERAL MEETING

The next Annual General Meeting of the Company will be held on 25 April 2003. The notice of the meeting is set out on pages 50-51. An explanation of the items of special business is set out below.

GENERAL EXPLANATION OF SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

Non-executive directors' fees

The Company's Articles of Association provide that the total fees (which would not include salary) payable to the directors in any financial year must not exceed £50,000 unless a higher aggregate sum is approved by an ordinary resolution of the shareholders at a general meeting. This was increased to £100,000 by a resolution passed at last year's Annual General Meeting. In practice, fees are only paid to non-executive directors. Resolution 7 set out in the Notice of Meeting, which will be proposed as an ordinary resolution, will, again, fix the aggregate fees payable to the directors at £100,000. The fees payable to each individual non-executive director are determined by the Board.

Authority to Allot

Resolution 8 set out in the Notice of Meeting, which will be proposed as an ordinary resolution, will authorise the directors (pursuant to Section 80 of the Companies Act 1985) to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £630,375, being approximately 33.3 per cent of the nominal value of the ordinary shares currently in issue. The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of passing of the resolution or the conclusion of the Annual General Meeting held to approve the Report and Accounts for the year ending 31 December 2003.

The directors will exercise such authority to allot only when satisfied that it is in the interests of the Company to do so. They have no present intention, however, of exercising the authority, except if necessary in connection with the issue of shares under the Company's share option scheme and to satisfy valid applications for shares under the scrip dividend scheme.

Disapplication of pre-emption rights

The provisions of Section 89 of the Companies Act 1985 (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of 'equity securities' which are or are to be paid up in cash other than by way of allotment to employees under an employees' share scheme) apply to the authorised but unissued ordinary shares of the Company to the extent that they are not disapplied pursuant to Section 95 of the Companies Act 1985.

Resolution 9 as set out in the Notice of Meeting will be proposed as a special resolution to permit directors to allot shares without the application of these statutory pre-emption rights, first, in relation to the rights issue and, secondly, in relation to the issue of ordinary shares in the capital of the Company for cash up to a maximum aggregate nominal amount of £94,556 (representing approximately 5 per cent of the nominal value of the ordinary shares of the Company currently in issue).

The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of passing of the resolution or the conclusion of the Annual General Meeting held to approve the Report and Accounts for the year ending 31 December 2003.

Repurchase of ordinary shares

At the Annual General Meeting of the Company held on 31 May 2002, the Company was given authority to make market purchases of up to 3,755,762, of its own ordinary shares. The Company did not make any purchases pursuant to this authority prior to 31 December 2002. Accordingly, as at 31 December 2002 such authority remained outstanding in relation to 3,755,762 shares.

Resolution 10 which will be proposed as a special resolution, will authorise the Company to make market purchases of up to approximately 10 per cent of the Company's issued ordinary share capital at prices not less than the nominal value of an ordinary share and not exceeding 105 per cent of the average of the middle market quotations for the five business days before each purchase (exclusive of expenses). The authority will expire on the earlier of 15 months from the date of passing of the resolution or the conclusion of the next Annual General Meeting of the Company. Your directors have no plans to make such purchases. It is envisaged that purchases would only be made after considering the effect upon earnings per share and the benefits for shareholders generally.

There were 2,750,482 options outstanding in respect of shares in the Company as at 19 March 2003 which, if exercised on that date would have represented 6.8 per cent. of the entire issued share capital of the Company. They would represent 6.2 per cent. of the entire issued share capital of the Company if the Company purchased all the shares it is able to purchase pursuant to the authority sought by Resolution 10.

Approval of Remuneration Report

Resolution 11, which will be proposed as an ordinary resolution, will seek the approval of the Company's shareholders to the remuneration report of the directors set out in pages 14 to 18 of this document.

AUDITORS

PricewaterhouseCoopers resigned as auditors on 22 October 2002 and the directors appointed KPMG Audit Plc to fill the vacancy arising. A resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

PFC Begg

By order of the Board
P F C Begg
Company Secretary
19 March 2003

REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

REMUNERATION CONSIDERATION & POLICY

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") is responsible for determining the salaries and other remuneration of the executive directors and senior management of the Group. It is also responsible for the Company's Executive Share Option Scheme.

The Committee presently comprises, and comprised throughout the year ended 31 December 2002, two non-executive directors, namely R T E Ware (Chairman) and P O'Donnell. C A Smith, who continues to be responsible for the Group's relationships with certain relevant trade associations in addition to his responsibilities as a non-executive director, is not recognised as independent under the Combined Code by virtue of his previous executive status with the Group and is therefore not a member of the Committee. Technically P O'Donnell also had previous executive status with the Group (he was Chairman of BBB Design Group plc before it was renamed Tarsus Group plc). However he is regarded by the Company as wholly independent because the whole of the business of BBB Design Group plc was in fact sold to Mr O'Donnell, or to companies controlled by him, in June 1998 and there is no longer any connection between the business of the Group and the business operated by Mr O'Donnell. Both non-executive directors were able, if they wished, to have access to independent advice during the course of the year.

N D Buch attends meetings of the Remuneration Committee by invitation except when his own remuneration is under discussion. From time to time meetings of the Committee are also attended by invitation by the Managing Director, J D Emslie except when his own remuneration is under discussion. Both N D Buch and J D Emslie, when attending, have assisted the Committee in its deliberations.

The Committee does not determine the fees payable to the non-executive directors that are considered and approved, subject to the limits set out in the Articles of Association, by the entire Board. The fees payable to the non-executive directors during the year were:

C A Smith	£25,000
R T E Ware	£25,000
P O'Donnell	£15,000

All of the non-executive appointments run for 12 month periods and the term of the appointment may be renewed by mutual consent for further periods of one year subject to re-election on retirement at any Annual General Meeting, at which they may be required, pursuant to the Company's Articles of Association, to retire by rotation.

REMUNERATION POLICY

In establishing its remuneration policy, the Committee confirms that full consideration has been given to the provisions set out in the Combined Code.

The policy of the Committee in respect of the remuneration of the executive directors for the current financial year and subsequent financial years (to the extent that the Committee is able to determine this) is to:

- Recruit and retain directors and senior executives of the highest calibre;
- Align the interests of the executive directors with those of shareholders.

In respect of share options and long-term incentive plans, the maximum award of share options which may be made under the Company's Executive Share Option Scheme is equivalent to four times annual salary in total. As a pre-condition of exercise, performance criteria are established to require an increase in the Company's share price by a fixed percentage, compounded year on year, calculated from the grant date on the original grant price of the option.

The fees of the non-executive directors are agreed by the Board with the total amount determined by the shareholders. They are designed to recognise the significant responsibilities of directors and to attract individuals with the necessary experience and ability to make an important contribution to the Group's affairs. The fees, which are neither performance related nor pensionable, are comparable with those paid by other companies.

COMPONENTS OF DIRECTORS' REMUNERATION

The remuneration of the executive directors consists of basic salary, benefits, performance bonuses and share options.

The remuneration of the executive directors is reviewed annually. The Committee takes into account individual performance, company performance, factors affecting the relevant sector, market practice and inflation. During the year the directors responsible for divisional operations were incentivised by reference to performance against budget. During the year the Group Managing Director and Finance Director were incentivised by reference to pre tax profits of the Group against budget. For 2003 performance bonuses will be awarded by the Remuneration Committee on a discretionary basis if the Group meets or exceeds budgeted pre-tax profits.

DIRECTORS' SERVICE CONTRACTS

All the executive directors, including N D Buch who is retiring by rotation, and B Becker who is standing for election following his appointment by the Board, have service contracts that are terminable on 12 months' notice expiring at any time. The position of R T E Ware, who is also retiring by rotation, is set out above. Under the executive service contracts, directors are entitled to 12 months salary and associated benefits in lieu of notice. It is company policy that there is no further provision for compensation for loss of office. Non-executive directors are entitled to outstanding fees relating to the unexpired term of their contract.

Details of the contracts currently in place for directors who have served during the year are as follows:

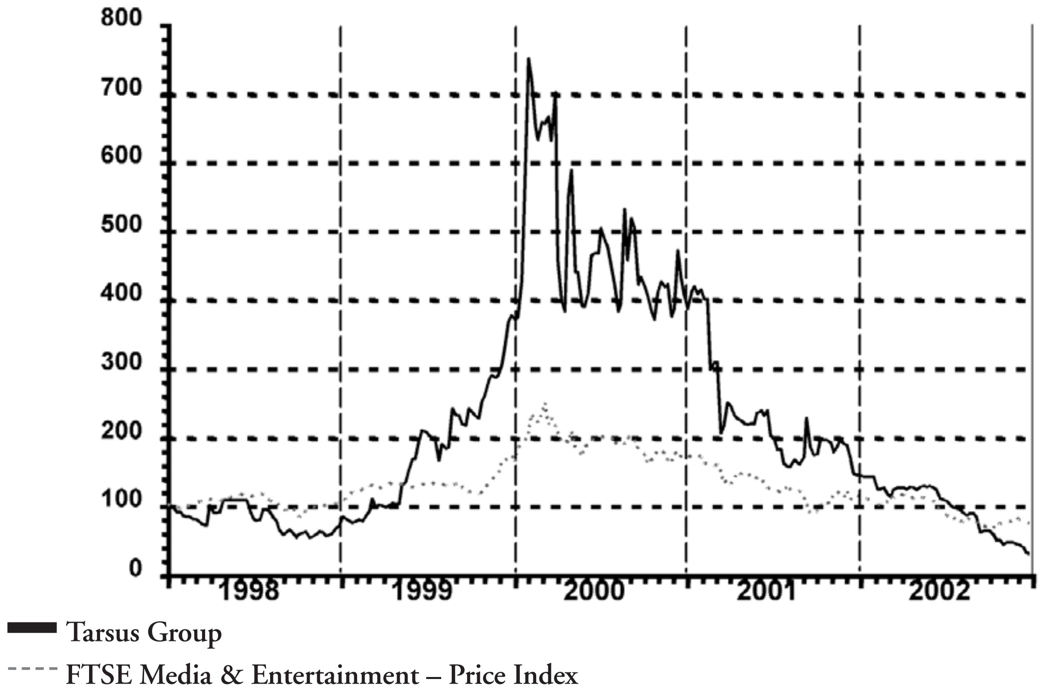
Directors	Date of contract	Unexpired term (months)	Directors	Date of contract	Unexpired term (months)
Executive			**Non-Executive**		
N D Buch	1/6/98	12	P O'Donnell	14/3/86	12
J D Emslie	1/6/98	12	R T E Ware	1/2/00	11
D P Delaney	2/2/00	12	C A Smith	1/9/99	7

The general Group policy is for executive directors to have service agreements with notice periods of no greater than 12 months, to reflect current corporate governance best practice. Termination payments and duration of service contracts are intended to reflect this.

TOTAL SHAREHOLDER RETURN

The following graph charts the total cumulative shareholder return of the Company since 1 January 1998 (rebased to 100 on 1 January 1998):

Tarsus vs FTSE Media & Entertainment



Source: DATASTREAM

The index selected was the FTSE Media and Entertainment Price Index as it was considered to be the most appropriate benchmark in relation to Tarsus Group plc's core products.

SHARE OPTION POLICY

The Committee sets the share option policy. Grants of options are made based on the seniority of the individual and the individual's value to the Company. The value of option grants cannot exceed four times the relevant individual's salary in total.

Performance criteria are imposed as a precondition to the exercise of the options. These require an increase in the Company's share price by a fixed percentage compounded year on year, calculated from the grant date on the original grant price of the option.

DETAILS OF INDIVIDUAL EMOLUMENTS

The auditors are required to report on the information contained in this section of the report.

The emoluments in respect of qualifying services of each person who served as a director during the year were as follows:

Directors	Salary and fees	Compensation for loss of office	Benefits	Total 2002	Total 2001
Executive	£	£	£	£	£
N D Buch	50,000	-	1,828	51,828	52,441
J D Emslie	130,000	-	4,996	134,996	149,577
A M Broadbent (resigned on 17 April 2002)	102,271	15,000	1,740	119,011	121,632
D P Delaney	100,000	-	5,937	105,937	107,666
N P Helyer[2] (resigned on 17 April 2002)	71,307	-	1,147	72,454	94,640
L Vaudeville (resigned on 13 January 2003)	51,671	-	-	51,671	98,507
Non-Executive					
P O'Donnell	15,000	-	-	15,000	12,500
R T E Ware	25,000	-	-	25,000	20,000
C A Smith	25,000	-	2,569	27,569	27,245

Aggregate emoluments in respect of qualifying services amounted to £603,466 (2001: £684,208).

Benefits receivable consist primarily of private fuel and healthcare.

No director waived emoluments in respect of the year ended 31 December 2002.

No bonuses were paid or deferred for the year ended 31 December 2002.

An ex-gratia payment of £15,000 was made to A M Broadbent after he resigned as a director.

A payment of £109,000 was made to L Vaudeville in February 2003 for compensation for loss of office.

[2]This amount included fees totalling £18,182 (2001: £18,182) paid to Acumex, a sole proprietorship for making available the services of Mr Helyer to the Company during the year.

SHARE OPTIONS

Details of share options of those directors, all of which are beneficially held, who served during the year are as follows:

	At 1 Jan 2002	Awarded	Exercised	Lapsed	At 31 Dec 2002	Exercise price	Earliest date of exercise	Expiry date
N D Buch[3]								
24 Jun 98	526,500	-	-	-	526,500	38.0p	24 Jul 01	24 Jun 08
J D Emslie[4]								
24 Jun 98	631,800	-	-	-	631,800	38.0p	24 Jul 01	24 Jun 08
D P Delaney								
11 May 99	15,795	-	-	-	15,795	76.0p	11 Jun 02	11 May 09
28 Oct 99	36,854	-	-	-	36,854	163.0p	28 Nov 02	28 Oct 09
2 Feb 00	26,325	-	-	-	26,325	264.0p	2 Mar 03	2 Feb 10
3 Sep 01	25,000	-	-	-	25,000	120.0p	3 Oct 04	3 Sep 11
26 Sep 02	-	75,000	-	-	75,000	44.5p	26 Oct 05	26 Sep 12
AM Broadbent								
(Resigned on 17 April 2002)								
1 Mar 99	131,624	-	-	-	131,624	62.0p	1 Apr 01	17 May 03
3 Sep 01	10,000	-	-	10,000	-	120.0p	3 Oct 04	3 Sep 11
N P Helyer								
(Resigned on 17 April 2002)								
24 Jun 98	78,975	-	-	-	78,975	38.0p	24 Jul 01	4 May 03
2 Feb 00	26,325	-	-	-	26,325	264.0p	2 Mar 03	4 May 03
3 Sep 01	10,000	-	-	10,000	-	120.0p	3 Oct 04	3 Sep 11
L Vaudeville								
(Resigned on 13 January 2003)								
2 Sep 00	80,000	-	-	-	80,000	350.0p	2 Oct 03	27 Oct 06
3 Sep 01	20,000	-	-	-	20,000	120.0p	3 Oct 04	27 Oct 06
26 Sep 02	-	80,000	-	-	80,000	44.5p	26 Oct 05	27 Oct 06

All of the options issued to directors are subject to performance conditions. Options granted prior to 2 September 2000 require an increase in the Company's share price of 15 per cent compounded year on year and calculated from the grant date on the original grant price of the option. This target has to be achieved for a period of not less than 30 days in aggregate in the relevant year. The super options granted to Mr Buch were granted on more demanding terms which required a share price increase of 25 per cent compounded year on year. Options granted since 2 September 2000 have only required an increase in the Company's share price of 10 per cent compounded year on year and calculated from the grant date on the original grant price of the option. These performance conditions were chosen because they align the shareholders' and directors' interests.

Subject to meeting the above performance criteria, Mr Buch and Mr Emslie may exercise up to 50 per cent of their shares under option in year 4 (if the target for that year has been met), up to a further 25 per cent in year 5 (provided that the year 4 target was achieved and regardless of share price in year 5) and in those circumstances, up to 25 per cent in year 6. If the target is not reached until year 5, they may exercise up to 75 per cent of their shares under option in that year and up to 25 per cent in year 6 (regardless of the share price in year 6). If the target is not met until year 6 or thereafter, they may exercise up to 100 per cent of their shares under option in that year at any time after the target has been met. Other directors may exercise all of their shares under option in year 4 subject to the performance criteria being met.

The market price of the Company's shares at the end of the financial year was 22.5p and the range of market prices during the year was between 20.5p and 101.5p, giving an average share price for the year of 67.5p.

The share options issued on 3 September 2001 held by Mr Helyer and Mr Broadbent lapsed on the termination of their employment with the Company. The Remuneration Committee has agreed to extend the expiry date on the remaining share options for Mr Helyer and Mr Broadbent to 4 May 2003 and 17 May 2003 respectively. In respect of Mr Vaudeville's remaining share options, the Committee agreed to extend the expiry date to 27 October 2006.

There have been no changes to the options held by directors, as set out above, between 31 December 2002 and 19 March 2003 with the exception of B Becker. As at 19 March 2003, B Becker held 252,650 share options, including 200,000 options issued on 17 March 2003 at 19.0p.

[3] 263,250 of Mr Buch's options are super options with different performance criteria as set out above.
[4] Mr Emslie does not have super options.

INTEREST IN SHARES

The interests of the directors in the Company's shares (all of which are beneficial except as stated below) are shown as at 1 January 2002 and 31 December 2002.

Director	No of ordinary shares at 1 January 2002	No of ordinary shares at 31 December 2002
N D Buch[5]	7,559,361	10,307,012
J D Emslie	323,500	531,642
P O'Donnell	4,417,105	4,567,105
C A Smith	4,814,614	4,844,911
D P Delaney	43,711	44,811
R T E Ware	30,768	200,000
L Vaudeville	659,449	676,048

There have been no changes in the interests of directors, as set out above, between 31 December 2002 and 19 March 2003 with the exception of B Becker. As at 19 March 2003, B Becker held 57,692 ordinary shares.

ANNUAL GENERAL MEETING

A resolution will be proposed at the Annual General Meeting approving this report.

On behalf of the Board

R T E Ware
Chairman of the Remuneration Committee
19 March 2003

[5]As regards the ordinary shares held by Mr Buch, Owlcastle Limited, a company in which Mr Buch has a 50 per cent beneficial interest, owns 269,230 ordinary shares.

CORPORATE GOVERNANCE

COMPLIANCE

The Company complies with the provisions of the Principles of Good Governance and Code of Best Practice ("Combined Code") except as disclosed. This statement indicates how those principles have been applied. The Company's auditors have reviewed those provisions of the Combined Code specified for their review and their statement is included in their report on pages 22 and 23.

THE BOARD AND THE COMMITTEES OF THE BOARD

The Board currently comprises four executive and three non-executive directors. One of the non-executive directors, C A Smith, also carries out limited executive responsibilities on a part-time basis.

C A Smith, who continues to be responsible for the Group's relationships with certain relevant trade associations in addition to his responsibilities as a non-executive director, is not recognised as independent under the Combined Code by virtue of his previous executive status with the Group.

The Board meets at least six times a year and has adopted a schedule of matters specifically reserved to itself for decisions. In addition to formal Board meetings the executive directors meet regularly to monitor and guide the Group's performance. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are observed and that the directors receive advice as to their duties as directors. There is a formal system for appraisal of the activities of the executive directors and senior directors. A formal procedure exists whereby any director, in furtherance of his duties, may take independent professional legal advice at the Company's expense. Training is available for directors where appropriate.

The Board operates the audit and remuneration committees, both of which have written terms of reference from the Board. The audit committee comprises three non-executive directors (R T E Ware, P O'Donnell and C A Smith). The remuneration committee comprises two of the non-executive directors (R T E Ware and P O'Donnell).

The audit committee is chaired by R T E Ware and meets at least twice a year. The Finance Director attends all of the audit committee meetings. The external auditors also attend when appropriate.

The remuneration committee is also chaired by R T E Ware and meets at least twice a year. The Committee's report to shareholders appears on pages 14-18.

There is also a nominations committee, which comprises the Chairman and the non-executive directors. This committee meets as required to deal with the recruitment of directors to the Board. The Chairman is also the Chairman of the nominations committee.

APPROVAL OF REMUNERATION POLICY

Resolution 11, which will be proposed as an ordinary resolution, will seek the approval of the Company's shareholders to the remuneration report set out on pages 14 and 15 of this document.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's systems of internal controls and for monitoring their effectiveness. Such systems can provide only reasonable and not absolute assurance against misstatement or loss.

The Combined Code introduced a requirement that the directors review the effectiveness of the Group's system of internal controls. This extends the previous requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

The risk management processes as required by the Turnbull Report were in place for the full year to 31 December 2002. The implementation of the requirements of the Turnbull Report took the form of a review of operational risks in each region and prioritisation of those risks identified for further action. Further risk analysis was performed on each function within the Group. These included Finance, IT and Legal functions. Risks highlighted by these functions were prioritised in the same way for further action.

The following are the main features of the internal financial control framework:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results, balance sheets and cash flow statements are reported against budget and updated forecasts and are sent to the Board. On a quarterly basis a forecast for the full year is presented to the Board in the light of the trading results. Sales reports are circulated to executive directors weekly and are presented to the Board at each Board meeting.
- Treasury management – the Board have approved a formal treasury policy for the Group. At each Board meeting a treasury report and working capital report are presented. Weekly cash reports are sent to the Executive Chairman, the Group Managing Director and the Group Finance Director.
- Risk management – there is an ongoing process for identifying and reviewing the principal risks affecting the Group's businesses and evaluating their financial implications. This is carried out in conjunction with operating company management and steps are taken where possible to mitigate or manage the risks identified. Insurance is co-ordinated centrally.
- Central controls – formal delegated authorities are in place for all operating companies.
- Operating company systems – each operating company maintains financial controls and procedures appropriate to its own business environment conforming to overall Group standards and guidelines.
- Internal audit – the Group finance department carries out internal audit reviews of the systems and procedures of all major operating companies and reports regularly to the audit committee. The necessity for a separate internal audit function is considered on an annual basis.

The Board, through the audit committee, has reviewed the effectiveness of the Group's system of internal financial control.

ENVIRONMENTAL POLICY

The Company seeks to reduce wherever possible any adverse environmental impact of its activities.

GOING CONCERN

Having reviewed the Company's and the Group's liquid resources, borrowing facilities and cash flow forecasts, the directors believe that the Company and the Group have adequate resources to continue as a going concern for the foreseeable future.

NON-AUDIT FEES

Fees charged by PricewaterhouseCoopers, the Group's previous Auditors, for work conducted in relation to the placing and open offer amounted to £133,000.

RELATIONS WITH SHAREHOLDERS

The directors have a full programme of meetings and consultations with institutional shareholders. The Company's Annual General Meeting provides a good opportunity for the directors to report to shareholders on the business activities of the Group and to answer questions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

P F C Begg
Company Secretary
19 March 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TARSUS GROUP plc

We have audited the financial statements on pages 24 to 49. We have also audited the information in the directors' remuneration report that is described as having been audited on pages 15 and 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on pages 20 and 21, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 17-21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended; and

- the financial statements and the part of the directors’ remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB
19 March 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 Before Exceptional Items £ 000's	2002 Exceptional Items £ 000's	2002 Total £ 000's	2001 Total £ 000's
Turnover – Group and share of joint ventures					
– continuing	1	18,844	–	18,844	22,031
– acquisitions		–	–	–	2,384
– discontinued		933	–	933	–
less: share of turnover of joint venture		(1,220)	–	(1,220)	(1,347)
Group turnover		18,557	–	18,557	23,068
Operating costs including intangible amortisation		(20,567)	(13,442)	(34,009)	(41,703) *
Operating profit / (loss)					
Before intangible amortisation					
– continuing	2	2,541	(2,876)	(335)	1,479
– acquisitions		–	–	–	272
– discontinued		(601)	–	(601)	–
		1,940	(2,876)	(936)	1,751
Intangible amortisation and impairment					
– continuing		(3,881)	(10,226)	(14,107)	(18,252) *
– acquisitions		–	–	–	(2,134)
– discontinued		(69)	(340)	(409)	–
		(3,950)	(10,566)	(14,516)	(20,386)
Operating loss					
– continuing		(1,340)	(13,102)	(14,442)	(16,773) *
– acquisitions		–	–	–	(1,862)
– discontinued		(670)	(340)	(1,010)	–
Group operating loss		(2,010)	(13,442)	(15,452)	(18,635)
Share of operating profit / (loss) in joint venture [6]		129	(2,729)	(2,600)	482
Profit on sale of discontinued operation		–	5	5	–
Interest receivable and similar income	9	227	–	227	317
Interest payable and similar charges	10	(1,109)	–	(1,109)	(1,316)
Loss on ordinary activities before taxation		(2,763)	(16,166)	(18,929)	(19,152)
Taxation	11	(578)	668	90	(427) *
Loss for the financial year		(3,341)	(15,498)	(18,839)	(19,579) *
Dividend	12	(1,536)	–	(1,536)	(2)
Retained loss for the financial year	23	(4,877)	(15,498)	(20,375)	(19,581)

	Notes	2002 Total	2001 Total
Earnings / (loss) per share (pence)	13		
Adjusted		4.0	6.6
Basic and diluted		(52.2)	(61.1)

*The 2001 comparative "Loss for the financial year" includes exceptional items of £17,451,000, (See note 2) of which impairment of intangible assets was £16,293,000, restructuring and relocation expenses were £899,000, litigation was £150,000 and events and publishing closures were £306,000 net of the tax credit of £197,000.

[6] After £218,000 goodwill amortisation (2001: £140,000).

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	2002 £ 000's	2001 £ 000's
Loss for the financial year	(18,839)	(19,579)
Foreign exchange gains and losses offset in reserves	(202)	(129)
Unrealised gain on joint venture formation	–	492
Total recognised losses for the year	(19,041)	(19,216)

The movement in group reserves is shown in note 23.

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' (DEFICIT) / FUNDS

	2002 £ 000's	2001 £ 000's
Loss attributable to shareholders	(18,839)	(19,579)
Unrealised gain on joint venture formation	–	492
Nominal value of shares issued for acquisitions	–	5
Nominal value of share options exercised	2	1
Nominal value of scrip dividend	13	–
Proceeds of ordinary shares issued for cash – placing and open offer	4,613)	–)
Premium on ordinary shares issued for acquisitions	–	301
Premium on options exercised	11	4
Premium on scrip dividend	216	–
Recognised foreign exchange gains and losses for the year	(202)	(129)
Purchase and cancellation of own shares	–	(443)
Dividend paid	(703)	(2)
Dividend declared	(833)	–
Net change in Shareholders' Deficit	(15,722)	(19,350)
Opening Equity Shareholders' Funds	13,637	32,987
Closing Equity Shareholders' (Deficit) / Funds	(2,085)	13,637

Included in recognised foreign exchange gains and losses are foreign exchange gains of £69,000 (2001: £189,000) arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002

	Notes	Group 2002 £ 000's	Group 2001 £ 000's	Company 2002 £ 000's	Company 2001 £ 000's
FIXED ASSETS					
Intangible assets	14	18,170	33,241	–	–
Tangible assets	16	427	924	5	58
Investments	17	–	–	8,764	8,866
Interests in joint venture	15	2,100	4,768	–	–
– Share of gross assets		1,736	1,773	–	–
– Share of gross liabilities		(1,047)	(1,047)	–	–
– Goodwill arising on acquisition		1,411	4,042	–	–
		20,697	38,933	8,769	8,924
CURRENT ASSETS					
Debtors	18	7,113	8,501	26,647	23,643
Cash at bank and in hand		5,824	6,132	5,397	5,849
		12,937	14,633	32,044	29,492
CREDITORS: Amounts falling due within one year	19	(20,530)	(23,143)	(13,936)	(10,274)
NET CURRENT (LIABILITIES) / ASSETS		(7,593)	(8,510)	18,108	19,218
TOTAL ASSETS LESS CURRENT LIABILITIES		13,104	30,423	26,877	28,142
CREDITORS: Amounts falling due after more than one year	20	(13,799)	(15,432)	(124)	(5,529)
PROVISIONS for liabilities and charges	21	(1,390)	(1,354)	(78)	–
NET (LIABILITIES) / ASSETS		(2,085)	13,637	26,675	22,613
CAPITAL & RESERVES					
Share Capital	22	1,891	1,595	1,891	1,595
Share Premium Account	23	23,435	36,876	23,435	36,876
Capital Redemption Reserve		15	15	15	15
Other Reserves	23	(443)	(443)	(443)	(443)
Profit and Loss Account	23	(26,983)	(24,406)	1,777	(15,430)
SHAREHOLDERS' (DEFICIT) / FUNDS		(2,085)	13,637	26,675	22,613

The financial statements on pages 24-49 were approved by the Board of Directors on 19 March 2003 and were signed on its behalf by:

NEVILLE BUCH
Director

DAMIAN DELANEY
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001	
	£ 000's	£ 000's	£ 000's	£ 000's
Operating activities				
Net cash inflow from operating activities		(1,134)		3,156
Dividend from joint venture		331		–
Returns on investment and servicing of finance				
Interest received on cash deposit	304		276	
Interest paid on bank overdraft	(779)		(1,398)	
Net cash outflow from returns on investment and servicing of finance		(475)		(1,122)
Tax paid – overseas		(128)		(401)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(98)		(324)	
Proceeds on disposal of tangible fixed asset	20		–	
Net cash outflow from capital expenditure and financial investment		(78)		(324)
Acquisitions and disposals				
Purchase of subsidiary undertaking and joint venture	(249)		(3,395)	
Overdraft acquired with subsidiaries	–		(46)	
Proceeds on disposal of subsidiary	–		303	
Deferred consideration paid for prior year acquisitions	(751)		(1,828)	
Consideration adjustment on prior year acquisitions	262		–	
Net cash outflow for acquisitions and disposals		(738)		(4,966)
Equity dividends paid		(474)		(644)
Cash outflow before financing		(2,696)		(4,301)
Financing				
Issue of ordinary share capital	5,079		5	
Cost of share issue	(452)		–	
Purchase of own shares	–		(443)	
Payment of loan note instalment	(500)		–	
Net cash inflow / (outflow) from financing		4,127		(438)
Increase / (decrease) in cash in the period		1,431		(4,739)

RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

	2002 £ 000's	2001 £ 000's
Group operating loss	(15,452)	(18,635)
Depreciation	402	458
Amortisation of goodwill	3,950	4,093
Impairment of goodwill	10,566	16,293
Loss on disposal of fixed assets	189	11
Decrease in debtors	1,515	3,673
Decrease in creditors less than 1year	(1,784)	(2,537)
Decrease in creditors greater than 1year	(235)	(3)
Increase / (decrease) in provisions	36	(279)
Minority interest movement	–	40
Foreign exchange movements	(321)	42
Net cash (outflow) / inflow	(1,134)	3,156

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2002 £ 000's	Cash flow £ 000's	Exchange Movement £ 000's	At 31 December 2002 £ 000's
Cash at bank and in hand including on deposit	6,132	(308)	–	5,824
Overdraft	(3,373)	1,808	–	(1,565)
	2,759	1,500	–	4,259
Debt due within one year	(5,700)	500	–	(5,200)
Debt due after one year	(14,341)	–	(69)	(14,410)
	(17,282)	2,000	(69)	(15,351)

RECONCILIATION OF NET CASH FLOWS TO MOVEMENTS IN NET DEBT

	2002 £ 000's
Increase in cash in the period	1,431
Repayment of loan note	500
Change in net debt resulting from cash flows	1,931
Net debt at 1 January 2002	(17,282)
Net debt at 31 December 2002	(15,351)

GROUP ACCOUNTING POLICIES

Basis of accounting
These financial statements have been prepared under the historical cost convention and in accordance with appropriate accounting standards. The directors consider that the accounting policies set out below are suitable, are supported by reasonable and prudent judgements and estimates and have been consistently applied except that FRS 19 'Deferred tax' was adopted in the year. There was no significant effect of the adoption of FRS 19 in the current or prior financial year.

Consolidation
The consolidated financial statements include the Company and all its subsidiaries. The results of businesses acquired or disposed of are consolidated from or to the effective date of acquisition or disposal. Intra-group sales are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Goodwill
Goodwill arising on the acquisition of subsidiary undertakings (representing the excess of the fair value of the purchase price over the fair value of the net assets acquired) is capitalised and amortised over periods of 10 and 20 years. Twenty years is the maximum period over which the directors can estimate that the value of the underlying businesses acquired is expected to exceed the fair value of the underlying assets. Where there has been impairment in the value of goodwill or a business is sold, the goodwill is written off to the profit and loss account in the year of the impairment or in the year of disposal. If the goodwill on a disposal had been previously written off to reserves, the goodwill is written back to reserves and charged through the profit and loss account in the year of disposal.

Turnover
Turnover represents amounts invoiced in respect of completed exhibitions and conferences, together with related publishing revenue and new media revenues, exclusive of value added tax.

Profit recognition on events:

i) Traditional media
Profit is recognised when an event is completed. As such, billings and cash received in advance and directly related costs arising in the year relating to uncompleted and future events are deferred until the events are completed. The amounts so deferred are included in the balance sheet as deferred income or prepaid event costs. Losses are recognised in the profit and loss account in the period the loss is first anticipated.

ii) New media
The revenue streams that relate to a period of time have an ongoing obligation and, therefore, are recognised over the period to which they relate. Those revenue streams that have no ongoing obligation are recognised at the invoice date.

Investments
Investments in subsidiary undertakings included in the Company's balance sheet are stated at cost less any impairment in the value of these subsidiary undertakings.

Tangible fixed assets
Tangible fixed assets are stated at cost. It is the policy of the Company to capitalise external web site development costs and classify these costs under computer equipment. These costs were incurred in the development and set up of internet web sites, and include contractor's charges and payments on account, materials and direct labour. The web site assets are depreciated from the date of completion.

Depreciation
Depreciation is provided to write-off the cost of tangible fixed assets to residual values over their estimated useful lives, at the following annual rates:

Computer equipment	$33^1/_3$% straight line
Fixtures and fittings	20 – 25% straight line
Motor vehicles	25% straight line

Employee share scheme
The costs of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. Share options are issued at the market price prevailing at the time of issue.

Deferred taxation
Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currency
Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the balance sheet. The trading results of foreign subsidiary undertakings are translated into Sterling at the weighted average rate for the year. Differences arising on the restatement of investments in foreign subsidiary undertakings and the related net foreign currency borrowings and the translation of the results of those companies at weighted average rates, are taken to reserves. These differences are reported in the statement of total recognised gains and losses. All other differences are taken to the profit and loss account.

Leases
Payments under operating leases are charged to the profit and loss account on an accrual basis.

Deferred consideration
Where a portion of consideration for an acquisition is deferred to a date more than one year after the end of the current financial year, that portion of deferred consideration is discounted to its present value. The amount, by which that portion of deferred consideration is discounted, is charged to interest payable. The deferred consideration is based on the directors' current estimate of the final consideration payable.

Financial instruments
The Group does not enter into derivative financial instruments and has no financial liabilities other than creditors and loans. Financial assets and liabilities are recognised and cease to be recognised, on the basis of when the related legal titles or obligations pass to or from the Group. Financial assets are shown at the lower of cost or fair value. Fair value is determined by reference to the market value of the asset or liability.

Joint venture
The Group joint venture interest in MM Star has been accounted for in accordance with FRS 9 – Associates and Joint Ventures and UITF 31 – Exchange of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate. Accordingly the share of net assets acquired through the Group's interest in MM Star has been accounted for at fair value with the difference between these and the fair value of the consideration given being accounted for as goodwill. Also, to the extent that the fair value of the consideration received by the Group exceeds the book value of the part of the business no longer owned by the Group, an unrealised gain has been recognised in the statement of total recognised gains and losses.

MM Star has been accounted for as a joint venture because it is a jointly controlled by the Group and one other venturer under a contractual agreement.

Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

1. SEGMENTAL ANALYSIS

Group turnover, including share of joint venture turnover, adjusted operating profit / (loss)[7] and operating profit / (loss) by origin and market segment are set out below:

	2002 Turnover £ 000's	2001 Turnover £ 000's	2002 Adjusted operating profit / (loss) £ 000's	2002 Operating profit / (loss) £ 000's	2001 Operating profit / (loss) £ 000's
(i) Media Segment					
Traditional Media	18,835	22,705	2,893	1,153	2,927
New Media	942	1,710	(5)	(2,364)	(3,432)
Total including joint venture	19,777	24,415	2,888	(1,211)	(505)
(ii) Geographical Segment					
United Kingdom					
Exhibitions	221	1,203	(168)	(211)	(57)
Publishing & Conferences	1,541	1,942	(540)	(654)	(1,032)
New Media	460	736	12	(2,295)	(2,938)
	2,222	3,881	(696)	(3,160)	(4,027)
United States					
Exhibitions	6,549	3,109	2,503	2,129	391
Publishing & Conferences	697	383	312	232	(10)
New Media	131	556	195	195	(308)
	7,377	4,048	3,010	2,556	73
Continental Europe					
Exhibitions	4,718	10,340	1,251	726	3,690
Publishing & Conferences	3,302	4,389	(499)	(877)	(555)
New Media	268	410	(247)	(279)	(168)
Joint venture – Exhibitions	808	1,011	262	110	398
Joint venture – Publishing & Conferences	329	328	50	4	102
Joint venture – New Media	83	8	35	15	(18)
	9,508	16,486	852	(301)	3,449
Asia					
Exhibitions	670	–	(278)	(303)	–
Publishing & Conferences	–	–	–	(3)	–
	670	–	(278)	(306)	–
	19,777	24,415	2,888	(1,211)	(505)

[7]Operating profit / (loss) before exceptional items and amortisation, excluding discontinued operations and profit on disposal of discontinued item, including share of joint venture operating profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2002 Turnover £ 000's	2001 Turnover £ 000's	2002 Adjusted Operating profit / (loss) £ 000's	2002 Operating profit / (loss) £ 000's	2001 Operating profit / (loss) £ 000's
Group	18,557	23,068	2,541	(1,340)	(987)
Share of joint venture	1,220	1,347	347	129	482
Total including joint venture	19,777	24,415	2,888	(1,211)	(505)
Impairment				(10,566)	(16,293)
Exceptional items				(2,876)	(1,355)
Operating loss on discontinued items				(670)	–
Operating profit on joint venture				(129)	(482)
Group operating loss				(15,452)	(18,635)

Inter-segmental turnover and profit is not material. Geographical segmentation by destination is not materially different from turnover by origin. Turnover and profit on continuing ordinary activities are wholly derived from the ownership, organisation and management of exhibitions, conferences and related trade publications.

The Asia segment consists of a biennial exhibition held in 2002, but not in 2001.

Group net (liabilities) / assets by origin and market segment were as follows:

	2002 Net (Liabilities) / Assets £ 000's	2001 Net (Liabilities) / Assets £ 000's
(i) Media segment		
Traditional Media	(2,212)	12,778
New Media	127	859
	(2,085)	13,637
(ii) Geographical segment		
United Kingdom		
Exhibitions	(11,785)	(8,511)
Publishing & Conferences	1,111	2,401
New Media	(32)	454
	(10,706)	(5,656)
United States		
Exhibitions	9,002	8,523
Publishing & Conferences	918	811
New Media	(112)	(411)
	9,808	8,923
Europe		
Exhibitions	(4,283)	703
Publishing & Conferences	682	4,663
New Media	59	402
Joint venture – Exhibitions	1,649	3,222
Joint venture – Publishing	494	966
Joint venture – New Media	212	414
	(1,187)	10,370
	(2,085)	13,637

2. OPERATING LOSS

	Continuing £ 000's	Discontinued £ 000's	2002 Total £ 000's	2001 £ 000's
Turnover	17,624	933	18,557	23,068
Cost of sales	(8,192)	(1,074)	(9,266)	(10,410)
Gross profit	9,432	(141)	9,291	12,658
Administrative expenses	(6,891)	(460)	(7,351)	(9,552)
Administrative expenses – exceptional items	(2,876)	–	(2,876)	(1,355)
Administrative expenses – goodwill amortisation	(14,107)	(409)	(14,516)	(20,386)
Total administrative expenses	(23,874)	(869)	(24,743)	(31,293)
Group operating loss	(14,442)	(1,010)	(15,452)	(18,635)

	2002	2001
Operating loss is stated after charging / (crediting):		
Depreciation	402	458
Amortisation of goodwill (note 14)	3,950	4,093
Auditors' remuneration		
– group audit (final)	52	–
– company audit (final)	30	–
Previous auditors' remuneration		
– group audit (final)	–	69
– company audit (final)	–	10
– group audit (interim)	15	11
– non-audit work, including expenses and benefits in kind	133	10
Staff costs (note 8)	6,872	7,747
Lease rentals – property	772	510
Lease rentals – equipment	135	136
Foreign exchange loss / (profit) on foreign currency borrowings	164	(41)

Exceptional costs are set out below:	2002 £ 000's	2001 £ 000's
Impairment of intangible assets (note 14)	10,566	16,293
Pre-acquisition litigation costs	32	150
Postponement / closure of events or publications	–	306
Redundancies	1,858	695
Relocations	924	204
Venue litigation	62	–
Profit on sale or closure of discontinued events	(5)	–
Impairment on joint venture (note 15)	2,662	–
Exceptional items on joint venture	67	–
	16,166	17,648
Tax credit on exceptional items	(668)	(197)
	15,498	17,451

The exceptional items relate to the continuing business.

External barter transactions included in the turnover and cost of sales are £721,000.

Impairment of intangible assets

In accordance with Financial Reporting Standard 11 ("FRS 11"), the Group has recently carried out an impairment review as the investments were made in a different economic climate to that which prevails today.

In the light of the current economic climate, the Board has concluded that it is prudent to recognise that goodwill arising on consolidation has been impaired. The total impairment included within the operating loss is £10,566,000 (see note 14).

The reviews of the French operations have resulted in impairments of goodwill arising on consolidation of £8,109,000.

The UK operations of Exhibition Bulletin, Employment Week and Organex have been reviewed resulting in an impairment of goodwill arising on consolidation. This has been based on the level of the trading activities in 2002 and the proceeds of the sale of the Organex Show for £135,000. The total impairment of goodwill arising on consolidation is £2,457,000.

A discount rate of 11.5% has been used.

Exceptional items

Restructuring costs, relating to redundancies and relocations, including the joint venture, have resulted in exceptional costs of £2,849,000. A further exceptional charge of £94,000 is for postponed or cancelled events arising from the Group's acquisitions.

3. ACQUISITIONS

On 17 September 2002, Tarsus Exhibitions and Publishing Limited, a wholly owned subsidiary of Tarsus Group plc, purchased from Binsted Exhibitions the rights to the assets of the BPC (Bottling, Packaging and Canning) exhibition for the sum of up to £2,000,000.

The aggregate purchase consideration for the goodwill and intellectual property rights will be an amount equal to 1.33 times the pre-tax profits of the 2003 edition of the BPC exhibition, plus an amount equal to 0.33 times the pre-tax profits of the 2005 edition of the event.

4. DISCONTINUED OPERATIONS

On 30 June 2002 the interest of the Group in Trade Show News Network Inc ("TSNN"), a Group subsidiary, was diluted to 19.9% following the subscription by three individuals for a total of 401 new shares of capital stock of TSNN.

The Group retains blocking rights in respect of certain key corporate transactions and a right of first refusal to purchase any shares, which other shareholders may wish to sell. However, the Group is no longer involved in the day-to-day management of the business and does not have any directors on the Board of TSNN.

The results for the year ended 31 December 2002 are disclosed as discontinued on the face of the profit and loss account.

5. JOINT VENTURE

On 25 September 2002, Tarsus Group plc, through its wholly owned French subsidiary Groupe MM SA, signed an agreement with Reed Expositions France SA, a wholly-owned subsidiary of Reed-Elsevier plc, to establish a new 50:50 joint venture in France to promote and organise a new exhibition for the direct marketing sector.

The joint venture company, called MD Management sas, has purchased from Delling Expo sarl the rights and assets of two existing annual exhibitions in the direct marketing sector, namely SICEP (Salon International du Courrier Electronique et Postal) and JFMD (Journees Franciliennes du Marketing Direct).

The consideration payable by MD Management sas for the purchase of the two shows is €533,571, of which Tarsus Group plc is liable for 50%.

This joint venture has been accounted for in accordance with Financial Reporting Standard 9 ("FRS 9").

6. LOSSES FOR THE FINANCIAL YEAR

The loss for the financial year includes a profit of £157,000 (2001: £16,863,000 loss) dealt with in the accounts of the Company. In accordance with the exemption allowed by Section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented.

7. DIRECTORS' EMOLUMENTS

	2002 £ 000's	2001 £ 000's
Directors:		
Aggregate emoluments	603	676
Highest paid director:		
Aggregate emoluments	135	150

The detailed numerical analysis of directors' remuneration is included in the report of the Remuneration Committee on pages 14 to 18 and forms part of these financial statements.

8. EMPLOYEE INFORMATION

	2002 Number	2001 Number
The average number of persons employed by the Group, including executive directors, during the year was:		
Senior management	17	20
Sales and marketing	69	79
Publishing	40	41
Internet	2	31
Finance and administration	33	36
	161	207

	2002 £ 000's	2001 £ 000's
Employment costs of all of the employees included above were:		
Wages and salaries	5,486	6,214
Social security costs	1,316	1,444
Health care	70	89
	6,872	7,747

Included in wages and salaries above is £1,657,000 (2001: £178,000) which has been included in the exceptional items (note 2) as redundancy payments.

9. INTEREST RECEIVABLE

	2002 £ 000's	2001 £ 000's
Bank interest receivable	227	317

10. INTEREST PAYABLE

	2002 £ 000's	2001 £ 000's
On bank loans and overdrafts repayable within 1 year	(917)	(1,012)
On loan notes	(162)	(235)
Notional interest on discounted deferred consideration	(30)	(69)
	(1,109)	(1,316)

11. TAXATION

	2002 £ 000's	2001 £ 000's
Current tax		
UK tax on profits for the period	–	343
Overseas tax on profits for the period	(28)	(74)
Overseas tax on joint venture	92	191
Adjustments of UK corporation tax in respect of previous periods	67	–
Current tax charge for the period	131	460
Deferred tax		
Movement in the period	(221)	(33)
Tax (credit) / charge for the year	(90)	427

The current tax (credit) / charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £ 000's	2001 £ 000's
Loss before taxation per consolidated accounts	(18,929)	(19,152)
Tax at the standard rate of Corporation Tax in UK of 30%	(5,679)	(5,746)
Effects of:		
Expenses not deductible	5,642	6,184
Marginal tax on overseas profits	(121)	22
Capital allowances for period in excess of depreciation	68	–
Unutilised losses in the year	154	–
Adjustment to tax charge in respect of previous periods	67	–
Current tax charge for the period	131	460

12. DIVIDENDS

	2002 £ 000's	2001 £ 000's
Equity – Ordinary		
Interim paid: 2.2p per share	703	2
Final proposed: 2.2p per share	833	–
	1,536	2

As disclosed in the Annual Report for 2001 due to the reduction in the share premium account to create distributable reserves on 6 March 2002, the 2001 dividend was paid as an interim 2002 dividend.

The directors announced the proposed final dividend for 2002, of 2.2p per share, on 6 March 2003. The proposed date of payment is 28 April 2003, subject to approval at the Annual General Meeting on 25 April 2003.

13. EARNINGS / (LOSS) PER SHARE

	2002		2001	
	£ 000's	Per share	£ 000's	Per share
Loss / basic loss per share	(18,839)	(52.2)p	(19,579)	(61.1)p
Adjustments:				
Exceptional items	15,498	42.9 p	17,451	54.5 p
Amortisation of goodwill – group	3,950	10.9 p	4,093	12.8 p
Amortisation of goodwill – joint venture	218	0.7 p	140	0.4 p
Discontinued	601	1.7 p	–	–
Adjusted earnings / adjusted earnings per share	1,428	4.0 p	2,105	6.6 p

The adjusted earnings per share is based on profits after tax from continuing operations and acquisitions before amortisation of goodwill and exceptional items of £1,427,851 (2001: £2,105,228 profit) and 36,107,914 (2001: 32,019,145) ordinary shares, being the weighted average number of shares in the period. This calculation represents the ongoing operational earnings per share of the Group.

The basic loss per share has been calculated on 36,107,914 ordinary shares (2001: 32,019,145), being the weighted average number of shares in issue during the period, and losses attributable to ordinary shareholders for the year of £18,838,754 (2001: £19,578,774).

Under Financial Reporting Standard 14 ("FRS 14") the share options have no dilutive effect on the loss per share.

14. INTANGIBLE FIXED ASSETS

	2002 £ 000's	2001 £ 000's
GROUP		
Cost:		
At 1 January	57,472	55,376
Acquisitions	–	3,917
Purchased in year	187	557
Disposed of in year	(1,777)	–
Purchase consideration refunded	(262)	–
Transferred to goodwill arising on acquisition of joint venture	–	(3,371)
Transferred from other investments	–	462
Foreign exchange adjustments	–	(229)
Adjustments to deferred consideration	(459)	760
At 31 December	55,161	57,472
Amortisation:		
At 1 January	24,231	4,006
Amortisation charge for year (note 2)	3,950	4,093
Impairment charge for year (note 2)	10,566	16,293
Disposals	(1,756)	(161)
At 31 December	36,991	24,231
Net book value at 31 December	18,170	33,241

15. INTEREST IN JOINT VENTURE

	Goodwill £ 000's	Share of Net Assets £ 000's	Total £ 000's
At 1 January 2002	4,042	726	4,768
Additions	249	–	249
Share of retained loss	–	(51)	(51)
Amortisation	(218)	–	(218)
Impairment charge for year (note 2)	(2,662)	–	(2,662)
Exchange adjustments	–	14	14
At 31 December 2002	1,411	689	2,100

16. TANGIBLE FIXED ASSETS

GROUP	Computer Equipment £ 000's	Fixtures & Fittings £ 000's	Motor Vehicles £ 000's	Total £ 000's
Cost or valuation:				
At 1 January 2002	1,444	402	29	1,875
Additions	41	57	–	98
Disposals	(440)	(183)	(29)	(652)
Foreign exchange differences	28	(5)	–	23
At 31 December 2002	1,073	271	–	1,344
Depreciation:				
At 1 January 2002	776	169	6	951
Charge for Year	301	98	3	402
On disposal	(318)	(116)	(9)	(443)
Foreign exchange differences	9	(2)	–	7
At 31 December 2002	768	149	–	917
Net book values:				
At 31 December 2002	305	122	–	427
At 31 December 2001	668	233	23	924

COMPANY	Computer Equipment £ 000's	Fixtures & Fittings £ 000's	Motor Vehicles £ 000's	Total £ 000's
Cost or valuation:				
At 1 January 2002	120	14	–	134
Disposals	(42)	–	–	(42)
At 31 December 2002	78	14	–	92
Depreciation:				
At 1 January 2002	70	6	–	76
Charge for Year	22	4	–	26
On disposal	(15)	–	–	(15)
At 31 December 2002	77	10	–	87
Net book values:				
At 31 December 2002	1	4	–	5
At 31 December 2001	50	8	–	58

17. FIXED ASSET INVESTMENTS

COMPANY	2002 £ 000's	2001 £ 000's
Shares in subsidiary undertakings		
Cost:		
At 1 January	26,522	31,259
Acquisitions	392	265
Adjustments to deferred consideration	(407)	–
Transferred from / (to) subsidiary undertaking	309	(5,002)
At 31 December	26,816	26,522
Impairment:		
At 1 January	17,656	–
Impairment charge for year	396	17,656
At 31 December	18,052	17,656
Net book values:		
At 31 December	8,764	8,866

The subsidiary undertakings are listed on page 49.

18. DEBTORS

	Group		Company	
	2002 £ 000's	2001 £ 000's	2002 £ 000's	2001 £ 000's
Trade debtors	4,572	5,485	–	–
Prepaid event costs	750	538	–	–
Amounts due from subsidiary undertakings	–	–	26,535	23,568
Deferred taxation	622	401	–	–
Other taxation	–	275	4	–
Other debtors	960	1,051	66	12
Prepayments and accrued income	209	751	42	63
	7,113	8,501	26,647	23,643

A deferred tax asset of £622,000 has been recognised based on forecasts that indicate suitable taxable profits will arise.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002 £ 000's	2001 £ 000's	2002 £ 000's	2001 £ 000's
Bank loans	735	–	–	–
Bank overdrafts	1,565	3,373	4,970	3,778
Loan notes	5,200	5,700	5,200	5,700
Trade creditors	2,520	3,422	23	86
Amounts due to subsidiary undertakings	–	–	2,434	165
Other taxes and social security	2,303	2,640	19	27
Other creditors	331	322	–	6
Accruals	2,164	2,346	443	312
Deferred income	4,459	4,569	–	–
Deferred consideration	420	771	14	200
Dividends payable	833	–	833	–
	20,530	23,143	13,936	10,274

The loan note of £5,200,000 is secured against cash of £5,200,000 that is included within Cash at bank.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2002 £ 000's	2001 £ 000's	2002 £ 000's	2001 £ 000's
Creditors falling due between one and two years				
Deferred income	–	235	–	–
Deferred consideration	124	541	124	50
Bank loans	8,675	–	–	–
	8,799	776	124	50
Creditors falling due between two and five years				
Deferred consideration	–	315	–	–
Bank loans	5,000	14,341	–	5,479
	5,000	14,656	–	5,479
	13,799	15,432	124	5,529

The deferred consideration in respect of the acquisition of The Off-Price Specialist Centre Inc has been discounted from the anticipated settlement date at a rate of 7% and Employment Week at a rate of 4%. The difference between the present value and the mandatory purchase amount is £30,000 (2001: £69,000) and has been charged to interest payable during the year.

The Group has one multi-currency facility that is drawn down in two denominations. The first is denominated in US dollars and bears interest at 3.41 per cent per annum. The second is denominated in Euros and bears interest at 4.32 per cent.

The Barclays Bank PLC loan is secured by guarantees and / or debentures covering substantially all of the Group's assets. The Group's total facility expires on 31 December 2007. The facility is repayable in semi-annual instalments on 30 June and 31 December each year up to the expiry date.

21. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2002 £ 000's	Group 2001 £ 000's	Company 2002 £ 000's	Company 2001 £ 000's
Restructuring provisions				
At 1 January	1,154	1,061	–	–
Charged to profit and loss account	3,762	1,065	28	–
Paid / utilised in year	(3,717)	(972)	(12)	–
	1,199	1,154	16	–
Litigation provision				
At 1 January	200	–	–	–
Charged to profit and loss account	124	200	62	–
Paid / utilised in year	(200)	–	–	–
	124	200	62	–
Tax provision				
Charged to profit and loss account	67	–	–	–
Total provisions at 31 December	1,390	1,354	78	–

22. CALLED UP SHARE CAPITAL

Group and Company	2002 Number 000's	2002 £ 000's	2001 Number 000's	2001 £ 000's
Authorised:				
Ordinary shares of 5p each	60,000	3,000	50,000	2,500
Allotted, called up and fully paid:				
At 1 January	31,897	1,595	32,076	1,604
Allotted on acquisition	–	–	102	5
Options exercised	35	2	14	1
Scrip dividend	261	13	–	–
Placing and open offer	5,629)	281)	–)	–)
Purchase of own shares	–	–	(295)	(15)
At 31 December	37,822	1,891	31,897	1,595

The value of options exercised totalled £13,000 (2001: £5,000).
The value of the scrip dividend totalled £229,000 (2001: £nil).
The value of the shares issued in the placing and open offer totalled £5,066,000 before issue expenses (2001: £nil).

22. CALLED UP SHARE CAPITAL (CONTINUED)

The following options remain outstanding as at 31 December 2002 and are exercisable during the periods referred to below.

Year of Grant	Exercise Price (pence)	Exercise Period	Numbers
1998	38.0	2001–2008	1,614,533
1999	62.0	2002–2009	184,274
1999	76.0	2002–2009	68,445
1999	163.0	2002–2009	47,384
1999	185.0	2002–2009	7,371
2000	264.0	2003–2010	52,650
2000	423.0	2003–2010	28,188
2000	275.0	2003–2010	9,000
2000	350.0	2003–2010	102,600
2001	170.0	2004–2011	173,000
2001	120.0	2004–2011	93,037
2002	44.5	2005–2012	370,000

In 2002 35,033 options were exercised and 339,664 options lapsed.

23. RESERVES

	Share Premium Account £ 000's	Other Reserves £ 000's	Profit & Loss Account £ 000's
GROUP			
At 1 January 2002	36,876	(443)	(24,406)
Premium on shares issued	4,559	–	–
Exchange adjustments	–	–	(202)
Reduction in share premium account	(18,000)	–	18,000
Retained loss for the year	–	–	(20,375)
At 31 December 2002	23,435	(443)	(26,983)
COMPANY			
At 1 January 2002	36,876	(443)	(15,430)
Premium on shares issued	4,559	–	–
Exchange adjustments	–	–	(950)
Reduction in share premium account	(18,000)	–	18,000
Retained profit for the year	–	–	157
At 31 December 2002	23,435	(443)	1,777

24. CASH FLOW RELATING TO EXCEPTIONAL ITEMS

Included in the net cash inflow from operating activities is an outflow of £2,514,000 (2001: £566,000) that relates to the restructuring of operations and £183,000 relating to litigation. The balance remaining in provisions of £1,322,000 will be paid in cash during the years 2003 and 2004.

25. OPERATING LEASE COMMITMENTS

The Group has annual lease commitments in respect of properties and office equipment, for which the payments extend over a number of years.

At 31 December 2002	Property £ 000's	Office Equipment £ 000's	2002 Total £ 000's
Within one year	245	2	247
Within two to five years	191	104	295
	436	106	542

At 31 December 2001	Property £ 000's	Office Equipment £ 000's	2001 Total £ 000's
Within one year	47	26	73
Within two to five years	501	24	525
	548	50	598

26. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, debtors and creditors falling due within one year and deferred consideration and loan notes payable after more than one year. These financial assets and liabilities arise directly from the Group's operations. The related risks are discussed below. With the exception of the currency analysis of new assets, all debtors and creditors falling due within one year, other than the bank loans and overdraft have been excluded from the following disclosures.

Currency risk management

The Group is exposed to movements in foreign currency exchange rates as follows:

86 per cent of the Group's sales over the last two years have been denominated in foreign currencies. The average percentage over two years is disclosed as the Group earns a material portion of its revenue from biennial exhibitions. In 2002 89 per cent of the Group's sales were made in currencies other than Sterling (2001: 84 per cent).

There were no hedging contracts in place at 31 December 2002.

A natural hedge exists on the deferred consideration payments denominated in foreign currencies as these consideration payments are tied to the profits of the foreign operations. Profits of the Group are analysed by geographical segment in Note 1.

The sole currency risk exposure is held in the UK and amounts to €1,651,279 (2001: US$344,769). This currency risk exposure relates to debtor balances from Labelexpo Europe.

At 31 December 2002

Interest rate risk profile of financial liabilities

	Non interest Bearing £ 000's	Floating interest rate £ 000's	Fixed interest rate £ 000's	Total 2002 £ 000's
Sterling				
Deferred consideration	124	–	–	124
Overdrafts	–	1,565	–	1,565
Loan note bearing interest at 1% below LIBOR	–	5,200	–	5,200
	124	6,765	–	6,889
US Dollars				
$8 million loan	–	–	4,970	4,970
	–	–	4,970	4,970
Other European currencies				
€14 million loan	–	–	9,440	9,440
	–	–	9,440	9,440
	124	6,765	14,410	21,299

		Fixed rate Financial liabilities	Financial liabilities for which no interest is paid
	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
Currency	%	Years	Years
Sterling (£)	–	–	1.25
US Dollars ($)	4.43	0.05	–
Other European currencies	4.50	0.09	–
	4.47	0.14	1.25

Interest rate risk profile of financial assets

	2002 £ 000's	2001 £ 000's
Cash at bank and in hand	5,200	6,001
US Dollars	372	83
Other European currencies	252	48
	5,824	6,132
Floating rate	624	432
Fixed rate	5,200	5,700
	5,824	6,132

Floating rate cash earns interest based on LIBOR rates.

Fixed rate deposits

	2002	2001
Weighted average interest rate	3.60%	4.78%
Weighted average period for which rate is fixed in years	0.50	0.50
Weighted average period until maturity in years	0.14	0.14

Maturity of financial liabilities

The maturity profile of the carrying amounts of the group's financial liabilities was as follows:

	2002 £ 000's	2001 £ 000's
Less than one year		
Overdraft	1,565	3,373
Bank loans	735	–
Loan notes	5,200	5,700
	7,500	9,073
One to two years		
Deferred consideration	124	541
Bank loans	8,675	–
	8,799	541
Two to five years		
Deferred consideration	–	315
Bank loans	5,000	14,341
	5,000	14,656
	21,299	24,270

Borrowing facilities

The Group has undrawn committed borrowing facilities at 31 December 2002 of £1,200,000 (2001: £1,785,000). The total net bank facility available at 31 December 2002 from the Group's principal bankers is £17,175,000 (2001: £19,500,000). The undrawn facility is available for utilisation until 31 March 2004.

At 31 December 2001

Interest rate risk profile of financial liabilities

	Non interest Bearing £ 000's	Floating interest rate £ 000's	Fixed interest rate £ 000's	Total 2001 £ 000's
Sterling				
Deferred consideration	446	–	–	446
Overdrafts	–	3,373	–	3,373
Loan note bearing interest at 1 per cent below LIBOR	–	5,700	–	5,700
	446	9,073	–	9,519
US Dollars				
Deferred consideration	410	–	–	410
$8m loan	–	–	5,479	5,479
	410	–	5,479	5,889
Other European currencies				
FF20 million loan	–	–	1,866	1,866
FF75 million loan	–	–	6,996	6,996
	–	–	8,862	8,862
	856	9,073	14,341	24,270

Floating rate financial liabilities bear interest at rates based on LIBOR rates.

		Fixed rate Financial liabilities	Financial liabilities for which no interest is paid
	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
Currency	%	Years	Years
Sterling (£)	–	–	0.90
US Dollars ($)	6.05	0.05	1.25
Other European currencies	5.70	0.09	–
	5.83	0.14	2.15

Fair value of financial instruments used for risk management

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Book values are the amounts recorded in the balance sheet. The fair value on the non-interest bearing financial liabilities approximates to the book value due to the discounting of the deferred consideration (note 20).

There is no material difference between the fair values of financial instruments listed below and the values at which they are recorded in the balance sheet at 31 December 2002 and 31 December 2001.

	2002 Book and fair value £ 000's	2001 Book and fair value £ 000's
Primary financial instruments held to finance the Group's operations		
Cash at bank	5,824	6,132
Financial liabilities	(21,299)	(24,270)

27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Other than those items included in the Balance Sheet there were no material capital and other financial commitments in place at the year-end. Further, there was no authorised but not contracted for capital expenditure at the year-end.

28. RELATED PARTY TRANSACTIONS

Of the fees paid to N P Helyer as a director of the Company £18,182 (2001: £18,182) was paid to Acumex, a sole proprietorship.

29. POST BALANCE SHEET EVENTS

Disposal of Organex

On 17 January 2003, Tarsus Organex Limited, a wholly owned subsidiary of Tarsus Group plc, sold its UK Organic food exhibition, Organex, to Full Moon Communications Limited, a subsidiary of Diversified Business Communications Inc for a consideration of up to £750,000.

Tarsus received £135,000 cash on completion and deferred consideration of up to £615,000 based on revenues generated from Organex exhibitors for the April 2003 and 2004 Natural Products exhibition in to which the Organex exhibition has been merged.

30. INTEREST IN SUBSIDIARY UNDERTAKINGS AND JOINT VENTURE

The Company is the holding company of the Group. The active subsidiaries of the Company, all of which are included in the consolidated accounts of the Group, are set out below

Name	Effective Date of acquisition or incorporation	Group Holding and Voting Rights Per Cent Ordinary shares	Country of Registration and Operation
Tarsus Exhibitions & Publishing Ltd	25 June 1998	100	England
Tarsus Conferences Limited	25 June 1998	100	England
Tarsus Publishing Limited	25 June 1998	100	England
Tarsus Holdings Limited	17 March 1998	100	England
Tarsus Investments Limited	16 March 1998	100	England
Tarsus Overseas Limited	20 November 1998	100	England
Tarsus Martex (an unlimited company)	28 February 2000	100	England
Tarsus Organex Limited	13 December 1999	100	England
Tarsus Touchstone Ltd	6 December 1999	100	England
Tarsus Partners	25 June 1998	100 [8]	United States
Tarsus Expositions Inc	25 June 1998	100	United States
Tarsus Publishing Inc	25 June 1998	100	United States
Tarsus Spacifically Inc	31 December 2001	100	United States
Off–Price Specialists Centre, Inc	19 October 1999	100	United States
Tarsus GEP Inc	17 April 2001	100	United States
Groupe MM SA	22 May 2000	100	France
EFTA sarl	22 May 2000	100	France
MM Star SA	22 May 2000	35	France
E Marketing sarl	22 May 2000	100	France
Tarsus Nederland BV	2 July 1998	100	Netherlands

Interests in the US subsidiaries are all held through Tarsus Partners. Groupe MM, which holds all the French subsidiaries and the Group's 35% joint venture interest in MM Star SA is itself held through the French branch of Tarsus Exhibitions & Publishing Limited. Tarsus Nederland BV is held through Tarsus Holdings Limited. Tarsus Conferences Limited is held through Tarsus Exhibitions & Publishing Limited. Except as indicated otherwise, the Company directly owns each of the subsidiaries of the Company listed above.

The Group's 19.9% interest in TSNN is now being accounted for as a fixed asset investment.

All the subsidiaries have been included in Group accounts.

The registered office of all of the subsidiaries registered and operating in England is Commonwealth House, 2 Chalkhill Road, London W6 8DW.

The registered office of all the subsidiaries registered and operating in France is 31–35 Rue Gambetta, 92150 Suresnes, Paris, France.

The registered office of Tarsus Nederland BV is c/o First Alliance Trust, Herengracht 466, 1017 CA, Amsterdam, The Netherlands.

The business office of the Tarsus Partners partnership is c/o Kreinik Aaron & Gersh LLP, 450 Lexington Avenue, 38th Floor, New York, New York 10017.

The trading office of Tarsus Expositions Inc. (which was incorporated in the state of Ohio), Tarsus Publishing Inc. (which was incorporated in the state of South Carolina) and the trading office of The Off–Price Specialist Centre, Inc. (which was incorporated in the state of Nevada) is at 16985 W. Bluemound Road, Brookfield, Wisconsin 53005, USA.

The principal activity of all of the above undertakings is the promotion, organisation and management of exhibitions and conferences, together with related publications and new media products.

All undertakings acquired during the year have been accounted for as acquisitions from the date of acquisition.

[8] Tarsus Partners has no share capital but is 100% controlled by the Group.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventeenth Annual General Meeting of the members of Tarsus Group plc ("the Company") will be held at the offices of the Company at Third Floor, Commonwealth House, 2 Chalkhill Road, London W6 8DW on 25 April, 2003 at 10.00 am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the directors' report and audited financial statements for the year ended 31 December 2002.
2. To approve the payment of a dividend of 2.2 pence per share on the ordinary shares in the capital of the Company payable on 28 April 2003 to those shareholders on the Register of Members as at the close of business on 14 March 2003.
3. To elect Bernard Becker as a Director.
4. To re-elect Neville Buch as a Director.
5. To re-elect Robert Ware as a Director.
6. To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, in the case of Resolutions 7, 8 and 11 as Ordinary Resolutions and in the case of Resolutions 9 and 10 as Special Resolutions:

7. THAT the total fees payable to the non-executive directors of the Company be fixed at an aggregate maximum of £100,000 per annum.

8. THAT

(A) the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ('the Act') to exercise all or any powers of the Company to allot relevant securities (as defined in that section) to such persons, at such times and on such terms as they think proper up to a maximum nominal amount of £630,375 during the period ('the period of authority') from the date of the passing of this Resolution until the earlier of:

(i) fifteen months from the date of the passing of this Resolution; and

(ii) the conclusion of the Annual General Meeting of the Company held to approve the report and accounts of the Company for the financial year of the Company ending on 31 December 2003 on which date such authority will expire unless previously varied, revoked or renewed by the Company in general meeting (save that during the period of authority the Directors shall be entitled to make an offer or agreement which would or might require relevant securities to be allotted in pursuance of such an offer or agreement after the expiry of the period of authority and may allot such relevant securities in pursuance of such an offer or agreement as if the authority conferred by this Resolution had not expired); and

(B) the authority to allot given to the Directors by this Resolution be in substitution for any and all authorities previously conferred upon the Directors for the purposes of Section 80 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.

9. THAT conditionally on the passing of the Resolution numbered 8 above, the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred by the Resolution numbered 8 above as if Section 89(1) of the Act did not apply to such allotment, such power to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the earlier of fifteen months from the date of passing of this Resolution and the conclusion of the Annual General Meeting of the Company held to approve the report and accounts of the Company for the financial year of the Company ending on 31 December 2003 (save that the Directors shall be entitled before such expiry to make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such an offer or agreement, as if the power conferred by this Resolution had not expired) and to be limited to:

    (i) the allotment of equity securities for cash in connection with or pursuant to an issue or offer by way of rights, open offer or otherwise in favour of the holders of equity securities where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to the respective number of equity securities held by them on the record date for such allotment, subject only to such exceptions, exclusions or other arrangements which are in the opinion of the Directors necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any recognised regulatory body or any other stock exchange or otherwise in any territory; and

(ii) the allotment (otherwise than as referred to in sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal amount of £94,556.

10. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (as defined in section 163 of the Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 3,782,251;

(ii) the minimum price which may be paid for any such share is 5p;

(iii) the maximum price (exclusive of expenses) which may be paid for any such shares for so long as the shares of the Company are dealt on the London Stock Exchange shall be 5% above the average of the middle market quotations for an ordinary share of the Company taken from the London Stock Exchange Daily Official List for the 5 business days immediately before the day on which the purchase is contracted to take place;

(iv) the authority hereby conferred shall (unless previously renewed or revoked) expire at the earlier of the conclusion of the next Annual General Meeting of the Company and the date which is fifteen months after the date on which this resolution is passed; and

(v) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

11. THAT the directors' remuneration report set out on pages 14-18 of the Annual Report and Accounts year ending 31 December 2002 be and is hereby approved.

By order of the Board

P F C Begg
Company Secretary
19 March 2003

Notes

1. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 10.00am on 23 April 2003 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the right of any person to attend or vote at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, and on a poll, vote instead of him.
3. A proxy need not also be a member.
4. A proxy form is enclosed with this notice. Instructions for use are shown on the form. To be valid the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified or office copy of such power or authority, should reach the offices of the Registrars of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Return of a completed form of proxy will not preclude a member from attending and voting personally at the meeting.
6. Copies of the directors' service contracts, the Articles of Association and the Register of Directors' Interests will be available for inspection at the registered office of the Company during normal business hours from the date of despatch of this notice up to the date of and during the Annual General Meeting, and at the place of the meeting from 9.30 am until the close of the meeting.
7. The levels of proxy votes received in respect of each resolution will be disclosed at the Annual General Meeting.

PROXY FORM

TARSUS GROUP plc
Form of Proxy for use by holders of Ordinary Shares at the Annual General Meeting of the Company to be held on 25 April 2003

I/We ______________________________
(Full name(s) in block capitals)

of ______________________________
(*Address in block capitals)*

____

____

Being a member/members of the above named Company, hereby appoint the Chairman of the Meeting
(See Note 1 below)

____

____

(Name and address of proxy in block capitals)

as my/our proxy to attend, and on a poll vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 25 April 2003 at the offices of the Company at Third Floor, Commonwealth House, 2 Chalkhill Road, London W6 8DW at 10.00am and at any adjournment thereof.

I/We wish my/our proxy to vote as indicated below in respect of the resolutions to be proposed at the meeting.
Please indicate which way you wish your proxy to vote by ticking the appropriate box alongside each resolution (See Note 2 below).

RESOLUTIONS

Ordinary business		**For**	**Against**
1.	To receive and adopt the directors' report and audited financial statements for the year ended 31 December 2002.	❑	❑
2.	To approve the payment of a dividend of 2.2p per share on the ordinary shares in the capital of the Company.	❑	❑
3.	To elect Bernard Becker as a director.	❑	❑
4.	To re-elect Neville Buch as a director.	❑	❑
5.	To re-elect Robert Ware as a director.	❑	❑
6.	To appoint KPMG Audit Plc as auditors of the Company and to authorise the directors to determine their remuneration.	❑	❑
Special business			
7.	To fix the remuneration payable to the non-executive directors of the Company at an aggregate maximum of £100,000 per annum.	❑	❑
8.	To authorise the directors to allot relevant securities under section 80 of the Companies Act 1985.	❑	❑
9.	To authorise the issue of equity securities for cash by dis-applying the provisions of section 89(1) of the Companies Act 1985.	❑	❑
10.	To authorise the Company to make market purchases of ordinary shares of 5p each in the capital of the Company.	❑	❑
11.	To approve the remuneration report of the directors.	❑	❑

Signature (See Note 4 over) Date 2003

______________________________ ______________

Notes

1. A proxy, who need not be a member of the Company, must attend the meeting in person to represent a member. If you wish to appoint as your proxy someone other than the Chairman of the Meeting, cross out the words “the Chairman of the Meeting” and write in the space provided the full name and address of your proxy. Any changes should be initialled.

2. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he or she thinks fit on the specified resolutions and unless instructed otherwise, the person appointed proxy may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the meeting.

3. Full details of the resolutions are contained in the Notice of Meeting and explanatory notes. The summary of the resolutions on the proxy form is numbered in the same order as in the Notice.

4. This form must be signed and dated by the shareholder or his/her attorney duly authorised in writing. If the shareholder is a company, it may execute under its common seal, by the signature of a director and its secretary or two directors or other authorised signatories in the name of the company or by the signature of a duly authorised officer or attorney. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

5. To be valid, this form must be completed and lodged with the Company’s registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR, together with the power of attorney or other authority (if any) under which it is signed or a copy of such authority certified notarially no later than 10.00am on 23rd April 2003.

6. If you have any queries about how to fill in the proxy form, or wish to confirm that it has been received, you should telephone Capita Registrars on 0870 162 3100.

7. Completion of this form of proxy will not preclude you from attending and voting at the meeting or at any adjournments thereof in person, if you so wish.