Annual Report and Accounts 2003

Tarsus Group plc

Year ended 31 December 2003

TARSUS

CONTENTS

DIRECTORS AND ADVISORS

TARSUS GROUP plc
Registered Number 2000544

Directors

N D Buch	Executive Chairman
J D Emslie	Group Managing Director
B Becker	Executive Director
P O'Donnell	Non-Executive Director
H Scrimgeour	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 Chalk Hill Road
London W6 8DW

Principal Bankers

Barclays Bank PLC
54 Lombard Street
London EC3V 9EX

Financial Advisors

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

Solicitors and Legal Advisors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Stockbrokers

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

Registrars and Transfer Office

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

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

CHAIRMAN'S AND MANAGING DIRECTOR'S STATEMENT

RESULTS

We are pleased to report excellent progress by Tarsus in the year to 31 December 2003. Our ongoing businesses have performed ahead of expectations after excluding the losses from our non-core stand-alone magazine businesses, which were sold during the year. Net cashflow from operating activities was particularly strong.

Once again, our core exhibition and exhibition-related magazine products in the USA and UK performed well. The French portfolio of exhibitions and directories stabilised. Our new launch programme continued apace with three successful launches in 2003 and a further seven new events scheduled for 2004.

Turnover for the year ended 31 December 2003, including the Group's share of joint venture turnover, was £17.7 million (2002: £19.8 million) resulting in a profit before tax, exceptional items, goodwill amortisation and loss/profit on sale of discontinued activities of £2.1 million (2002: £1.4 million). Adjusted earnings per share were 4.0p (2002: 2.3p). After charging £3.0 million of goodwill amortisation and £0.5 million for the loss on sale of discounted activities, the loss on ordinary activities before tax was £1.4 million (2002: loss of £18.9 million). No exceptional items were incurred in the year (2002: £2.9 million).

Turnover from continuing operations for the year ended 31 December 2003, including the Group's share of joint venture turnover, was £15.5 million (2002: £15.8 million) resulting in a profit before tax, exceptional items and goodwill amortisation of £2.8 million (2002: £2.5 million). Adjusted earnings per share from continuing businesses were 5.1p (2002: 4.6p). After charging £2.9 million of goodwill amortisation the loss on ordinary activities before tax from continuing operations was £0.1 million (2002: loss of £16.4 million).

Net cash inflow from operating activities was £3.9 million (2002: outflow of £1.1 million). Net debt reduced by £3.6 million in the year to £11.7 million.

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 2.3 times 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 28 April 2004. Subject to that approval, it will be paid on 29 April 2004 to Shareholders on the Register of Members of the company on 19 March 2004. 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 7,965,650 of their Ordinary Shares, in aggregate, representing approximately 35.2% of their total Shareholdings and 17.8% of the issued Share Capital of the Company.

OPERATING REVIEW

Europe

Turnover for our ongoing business was £11.1 million (2002: £8.1 million) and adjusted operating profit was £1.6 million (2002: £0.2 million), benefiting from the biennial Labelexpo Europe exhibition.

Trading results from our major European event, Labelexpo Europe, were excellent. Although volumes, (measured in net square metres sold) for this exhibition in September were down 3% on the 2001 edition, revenues were up 4% – a commendable performance in the context of the economic climate of the past two years. Equally important, visitor attendance at this, our largest exhibition, was the highest in its 20-year history. Labels and Labeling International magazine delivered a strong performance with revenues for the year up 8% on 2002.

Our seven French exhibitions – Progiforum (accounting software), SECA (call centre technology through a joint venture with Advanstar), KM Forum (knowledge management), Educatec (education), Progilog (supply chain software), Semo (marketing research) and MD Expo (direct marketing through a joint venture with Reed Elsevier) – delivered volumes in line with or slightly below expectations. Encouragingly for the future, visitor attendances at all these exhibitions were good with strong exhibitor rebookings for the 2004 editions. The French directories, which support our exhibitions, once again delivered record results with further new products planned for 2004.

USA

Turnover was £3.8 million (2002: £7.0 million) and adjusted operating profit was £1.2 million (2002: £2.3 million) as a result of the absence of the biennial Labelexpo Americas exhibition.

Our USA business had another very good year. Volumes at the two Las Vegas Off Price Specialist Shows (discount clothing) increased 16% compared with the equivalent exhibitions in 2002. The launch of a third Off Price Specialist show in May 2003 was well received by the industry and we intend to make this an annual event.

In addition, and as part of our strategy of growing the attendance at these exhibitions, we signed a major sponsorship and marketing agreement with eBay, which came into effect at the beginning of 2004. The initial indications from our February 2004 show is that the eBay initiative, as part of a larger marketing campaign, has significantly grown the number of new visitors who attended the show.

Towards the end of 2003, we decided to extend the Off Price concept into the Home Goods sector with a launch scheduled for May 2004 in Las Vegas alongside our third Off Price Specialist show.

Emerging Markets

During the year, we accelerated our launch programme into those large emerging markets we judge to have the best long-term growth potential. To this end, we launched Labelexpo into China in December 2003. The event was an unqualified success for both exhibitors and visitors with a strong exhibitor rebooking for 2005. Additional Label launches are scheduled for Russia, Latin America and India in 2004 with a Label event for Eastern Europe also taking place in 2004. All of our emerging market activities in the label sector are conducted from our existing London and Milwaukee offices, thus keeping overheads to a minimum.

In December 2003, we formed a 50:50 joint venture with Rising Star Media Group to launch the Beijing International Travel and Tourism Market (BITTM), the only Chinese event to focus solely on the Chinese outbound travel market, an area which we believe has strong growth potential. BITTM has been granted full endorsement by the City of Beijing and will take place in April 2005.

Disposals

During the year, we disposed of our two stand-alone publishing businesses. In June 2003, we sold Exhibition Bulletin magazine for a cash consideration £1.1 million of which £0.7 million was received on completion with the balance due over the period to January 2005. The profit on disposal was £0.2 million. In December 2003, we sold our French magazine division for €1. As a result of this transaction, 29 staff left the Company representing 42% of the total headcount of the French office. The loss on disposal was £0.7 million.

In addition, in January 2003 we also sold our UK organic food exhibition for a cash consideration estimated to be £0.25 million of which £0.2 million has already been received.

Fund raising

In November 2003, we raised £2.0m net of expenses through the issue of 4,063,150 new Ordinary Shares of 5p each which were allotted and issued on a non pre-emptive basis to several institutional investors at 51p per share. The proceeds of the placing were used to provide Tarsus with additional working capital to finance the acceleration of our new launch programme and to reduce debt.

Board

We are pleased to announce the appointment of Hugh Scrimgeour as a Non-Executive Director of Tarsus. Hugh spent 17 years at P&O, and between 1993 and 1999 was Chairman and Managing Director of Earls Court and Olympia, a major London events venue and exhibition organiser. Between 2000 and 2002, Hugh was a director of, and finally Chief Executive Officer of Expocentric plc a leading provider of online services to the events industry. Hugh brings with him a wealth of industry experience relevant to our business as well as valuable working knowledge of the Chinese exhibition market.

After 4 years as Finance Director, Damian Delaney has left the Company and his duties will be assumed by Douglas Emslie. Philip O'Donnell, a Non-Executive Director who has been on the Board since 1986 will be retiring at the forthcoming AGM, as will Clive Smith, who sold his labelling exhibitions and magazine business to Tarsus in 1998. We would like to thank Damian, Philip and Clive for their valuable contributions to the Group and wish them all well for the future.

CURRENT TRADING AND PROSPECTS

The strong economic recovery underway in America is now having a beneficial effect on our business with customers more willing to increase expenditure through exhibitions both in industrialised countries and emerging markets.

As before, results for 2004 will be weighted towards the second half of the year. We anticipate good like-for-like volume growth in 2004 from our existing portfolio, supplemented by a growing stream of revenues from our aggressive launch programme. Whilst continuing to grow our existing business in established markets, we will be endeavouring over the next 3 years to increase significantly the proportion of the Group's business that is derived from China, India, Russia and South America. It should be noted that a very large proportion of our revenues for 2004 will be denominated in US dollars, a currency which has weakened considerably against Sterling in recent months. It is the policy of the Board not to hedge translation differences.

Neville Buch
Executive Chairman
4 March 2004

Douglas Emslie
Group Managing Director
4 March 2004

FINANCIAL REVIEW

PROFIT AND LOSS

The Group has achieved turnover including joint ventures of £17.7 million (2002 £19.8 million). The fall in turnover results from the Group's previous disposals of loss making activities and this has helped the Group to achieve an adjusted profit before tax, exceptional items, discontinued operations and goodwill amortisation of £2.1 million (2002: £1.4 million), representing an increase of 50 per cent over the prior year.

Discontinued operations during the year accounted for turnover of £2.1 million and operating loss before tax, goodwill amortisation and loss on sale of discontinued activities of £0.7 million.

Goodwill amortisation amounted to £2.9 million (2002: £3.7 million) on the continuing operations including our joint ventures, £0.1 million (2002: £0.3 million) on the discontinued operations.

The Group has made an operating loss on ordinary activities before taxation of £1.4 million (2002: £18.9 million).

BALANCE SHEET

As at 31 December 2003 the Group had net liabilities of £2.6 million (2002: net liabilities £2.1 million), an increase of £0.5 million in the year.

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 related 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 Group's policy to recognise the profits of an event only on its completion. Until completion such income and costs 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. Included in net current liabilities are deferred income of £4.3 million (2002: £4.5 million). Prepaid event costs of £0.7 million (2002: £0.8 million) are included in debtors.

The Group recognises future liabilities in respect of deferred consideration payments for completed acquisitions, these are disclosed in the balance sheet within creditors, split between amounts due within one year £0.2 million (2002: £0.4 million) and those amounts due after more than one year £0.1 million (2002: £0.1 million).

The provisions of £0.9 million (2002: £1.4 million) represent unpaid restructuring costs, potential legal costs and potential tax payments.

TREASURY AND FINANCIAL INSTRUMENTS

The Group has regular reviews of its banking facilities. As at 31 December 2003 the net facilities were £17,259,000 (2002: £17,175,000). At the year end the Group had net debt of £11,729,000 (2002: £15,351,000). The Group monitors cash and overdraft balances on a weekly basis.

The Group's strong performance was highlighted in a significant cash inflow from operating activities of £3.9 million (2002: outflow of £1.1 million), allowing the Group to reduce net debt by £3.6 million in the year to £11.7 million.

Major cash outflows during the year included interest paid of £1.1 million (2002: £0.8 million), tax payments totalling £0.3 million (2002: £0.1 million), deferred consideration of £0.4 million (2002: £0.8 million) and a dividend payment of £0.3 million (2002: £0.5 million). The dividend per share remained constant at 2.2p per share from 2002 to 2003, and the Group continued 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 a cash dividend was taken up by the holders of 67% of the issued share capital.

In December 2003 the group made a loan note repayment of £5.2 million which was paid out of a matching deposit.

Cash inflows include the net proceeds of a placing of £2.0 million (net of expenses) and interest received of £0.2 million (2002: £0.3 million).

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.

ACCOUNTING POLICIES

The accounting policies of the Group are set out on pages 32 to 33.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These financial statements have been prepared in accordance with applicable UK accounting standards (UK GAAP). The Group is currently in the process of identifying all disclosure, presentation and classification differences that may occur between applying UK GAAP and IFRS, this will be completed during the next 6 months.

DIVIDEND POLICY

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

The Directors are now pleased to announce a proposed final dividend of 2.2p per share for the year ended 31 December 2003 (2002: 2.2p).

Douglas Emslie
Group Managing Director
4 March 2004

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Group operates as an integrated media group primarily engaged in exhibitions, but with associated conferences, publishing and internet activities. The Group operates in the United States, Europe and the Emerging Markets.

A review of the business is given in the Chairman's and Managing Director's Statement and in the Financial Review on pages 8 to 9 and information on the principal businesses acquired or disposed of from 1 January 2003 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 27.

Subject to the approval of shareholders at the Annual General Meeting, to be held on 28 April 2004, the directors propose to pay a dividend of 2.2p per share on 29 April 2004 to shareholders on the Register of Members on 19 March 2004.

As advised to shareholders on 4 March 2004, in the preliminary announcement of results for the year ended 31 December 2003, 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 17 March 2004, that being the day when the Company's 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.

DIRECTORS AND THEIR INTERESTS

The following Directors held office during the year:

N D Buch
J D Emslie
D P Delaney (resigned on 3 March 2004)
L Vaudeville (resigned on 13 January 2003)
B Becker (appointed on 13 January 2003)
P O'Donnell
C A Smith
R T E Ware
H Scrimgeour (appointed as a non-executive Director on 4 March 2004)

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 16 to 21. 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, 58, 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. Mr O'Donnell will be retiring as a director of the Company at the Annual General Meeting.

Hugh Scrimgeour, 51, was appointed a director of the Company on 4th March 2004. Between 1993 and 1999 he was Chairman and Managing Director of Earls Court and Olympia, a major London events venue and exhibition organiser. Between 2000 and 2002, Hugh was a director of, and finally Chief Executive Officer of Expocentric plc, a leading provider of online services to the events industry. Mr Scrimgeour is a Chartered Accountant and brings with him a wealth of industry experience relevant to the business as well as a valuable working knowledge of the Chinese exhibition market.

Clive Smith, 60, 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. Mr Smith will be retiring as a director of the Company at the Annual General Meeting.

Robert Ware, 49, was appointed a director of the Company in February 2000. He was a director of MEPC Limited ("MEPC"), a property investment and development group until June 2003. Initially Corporate Development Director, he was appointed Deputy Chief Executive in May 1999. In October 2003 Robert floated on AIM The Conygar Investment Company PLC, of which he is the Executive Chairman. He is also a non-executive director of I2S plc. Robert is the senior independent non-executive director of the Company.

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, 37, (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.

Bernard Becker, 53, (Director), joined the French division as Président Directeur Général of Tarsus Groupe MM SA in January 2003. Previously Mr 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 5 years.

The business address of each of the directors is Commonwealth House, 2 Chalk Hill Road, London W6 8DW.

RE-ELECTION OF DIRECTORS

The principles contained in the Combined Code are satisfied in relation to the requirement for each director to seek re-election at intervals of no more than three years.

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 28 April 2004. 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 P O'Donnell and C Smith, who were last re-elected on 4 April 2001, will retire by rotation.

DONATIONS

Charitable donations of £165 were made during the year (2002: £870).

EMPLOYEE INVOLVEMENT

The Company continues to maintain its commitment to employee involvement. Employees are kept informed of corporate results, business developments and matters which concern them 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. Employees becoming disabled during their employment with the Company are retained and continue to receive appropriate training. 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. Many of the employees are members of the Company's executive share option scheme.

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. Company creditor days at the end of the year amounted to 33 (2002: 36). The Group creditor days at the end of the year amounted to 90 (2002: 86).

CHANGES IN SHARE CAPITAL

The following changes have taken place to the share capital of the Company since 1 January 2003:

	Number of Ordinary Shares
Issued share capital as at 1 January 2003	37,822,513
Issued as Scrip Alternative on 25 April 2003	2,809,011
Issued on Placing on 3 November 2003	4,063,150
Issued share capital as at 31 December 2003	44,694,674

The placing was made by KBC Peel Hunt on behalf of the Company to a number of institutional shareholders at 51.0p per share on 3 November 2003.

SUBSTANTIAL SHAREHOLDINGS

At 4 March 2004 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 4 March 2004
N D Buch[1]	11,554,290	25.85
P O'Donnell	5,309,038	11.88
C A Smith	4,704,135	10.53
G E Bud	1,588,759	3.55
F F Joshi	1,458,759	3.26
Lattice Group Pension Scheme	1,820,783	4.07
Jupiter Asset Management	1,614,114	3.61
Gartmore Investment Management	1,429,213	3.20
Framlington Investment Management	1,413,791	3.16

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

[1]Of the ordinary shares held by N D Buch 7,584,794 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.

CONTRACTS OF SIGNIFICANCE

January 2003 – Disposal of Organex to Diversified Business Communications Inc

By an Agreement dated 17 January 2003 between Tarsus Organex Limited and Diversified Business Communications Inc, 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 (which was paid 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 the Company.

March 2003 – Joint Venture with MVK Co. (Sokolniki)

By a Joint Venture Agreement dated 17 March 2003 between the Company and MVK Co. (Sokolniki) it was agreed that the parties would jointly constitute and develop an annual international trade fair Etiketka LabelShow-Labelexpo.

The first edition of the new show will be held from 23 to 26 March 2004 in Moscow.

May 2003 – Disposal of Exhibition Bulletin to Expomedia Group plc

By an Agreement dated 28 May 2003 between the Company, Tarsus Nederland BV, Tarsus Exhibitions & Publishing Limited, Mash Media Group Limited and Expomedia Group plc, the Group agreed to sell to Expomedia Group plc the title, goodwill, publishing rights and assets associated with the Exhibition Bulletin magazine and its related publications.

Under the agreement the Group was entitled to a consideration of £1,100,000 of which £500,000 was paid on the date of Completion and the Group retained advanced subscription and advertising revenues of £167,000. In addition the Group received £150,000 on 15 February 2004. The balance will be paid as to £150,000 on 15 July 2004 and £133,000 on 15 January 2005.

December 2003 – Joint Venture with Rising Star Media Group Limited

By a series of Agreements dated 1 December 2003, the Company and Rising Star Media Group Limited agreed to establish a new company to promote and organise exhibitions, conferences and seminars in emerging markets. This company, which is called Rising Star Exhibitions Limited is currently owned as to 50 percent by Rising Star Media Group Limited and as to 50 percent by Stanislava Blagoeva.

Tarsus Group plc has agreed to subscribe up to £200,000 of convertible loan stock in the company (which can be converted to 50 percent of the equity at any time) and has agreed to extend a working capital facility to the company of up to £30,000, which has now been fully advanced. An initial investment of £45,000 has been subscribed to date in the convertible loan stock.

The first show to be organised by Rising Star Exhibitions Limited will be the Beijing International Travel and Tourism Show ("BITTM") which will take place from 23-25 April 2005 in Beijing.

December 2003 – Joint Venture with Label Expositions Private Limited

By an Agreement dated 10 December 2003 and made between the Company and Label Expositions Private Limited ("LEPL") LEPL agreed to make available to the Company exhibition space at the 2004 edition of its India Label Show exhibition.

The Agreement states the intention of the two parties to form a new joint venture company, to be owned as to 51% by LEPL and as to 49% by the Group. It is intended that the joint venture company will run future editions of the India Label Show and other packaging-related exhibitions in India.

ANNUAL GENERAL MEETING

The next Annual General Meeting of the Company will be held on 28 April 2004. The notice of the meeting is set out on pages 53 to 55. 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 5 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.

Increase of authorised share capital

In order to ensure that the Company has an adequate amount of authorised but unissued share capital to enable it to meet its obligations in terms of scrip shares, options and other commitments, Resolution 6, which will be proposed as an ordinary resolution will increase the authorised share capital from £3,000,000 to £4,000,000 by the creation of an additional 20,000,000 ordinary shares. This represents an increase of 33.3% over the current authorised share capital.

Authority to Allot

Resolution 7 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 £744,911, 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 2004.

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, to satisfy valid applications for shares under the scrip dividend scheme and to issue shares pursuant to options proposed to be granted to Bermo Enterprises Inc. and Bounty Trading Corp. (as to which see below).

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 8 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 (i) in relation to rights issues; (ii) for the purposes of the options the Company is proposing to grant to Bermo Enterprises Inc. and Bounty Trading Corp. (as to which see below) and (iii) in relation to the issue of ordinary shares in the capital of the Company for cash up to a maximum aggregate nominal amount of £111,736 (representing approximately 5 per cent of the nominal value of the ordinary shares of the Company currently in issue).

In relation to (ii) above the Company proposes to enter into a transaction with Ed Bernard of Bermo Enterprises Inc. and Steven Wax of Bounty Trading Corp., two key exhibitors at the Group's Off-Price shows in the USA. Under this transaction Messrs Bernard and Wax will commit their companies to long term commercial arrangements related to the Off-Price shows in exchange for the grant to them (or as they may direct) of 400,000 options each over ordinary shares of 5 pence each of the Company at a price of 97.5 pence per share.

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 2004.

Repurchase of ordinary shares

At the Annual General Meeting of the Company held on 25 April 2003, the Company was given authority to make market purchases of up to 3,782,251 of its own ordinary shares. The Company did not make any purchases pursuant to this authority prior to 31 December 2003. Accordingly, as at 31 December 2003 such authority remained outstanding in relation to 3,782,251 shares.

Resolution 9 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 3,022,947 options outstanding in respect of ordinary shares in the Company as at 4 March 2004 which, if exercised on that date would have represented 6.3 per cent. of the entire issued share capital of the Company. They would represent 7.0 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 9.

Approval of Remuneration Report

Resolution 10, 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 16 to 21 of this document.

AUDITORS

The Company's auditors, KPMG Audit Plc, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board
P F C Begg
Company Secretary
4 March 2004

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.

Throughout the year ended 31 December 2003 the Committee comprised two non-executive directors, namely R T E Ware (Chairman) and P O’Donnell. Since the end of the year H Scrimgeour has been appointed as a further member of the Committee on 4 March 2004.

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 Mr Smith and Mr O’Donnell have confirmed that they will be retiring at the Annual General Meeting on 28 April 2004 and will not be seeking re-election.

The non-executive directors were able, if they wished, to have access to independent advice during the course of the year, and this remains the case.

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 which 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. 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 subject to an overall limit 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 operating in the same sector as the Company.

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 executive directors were incentivised by reference to pre tax profits of the Group against budget. Bonuses were awarded by the Remuneration Committee on a discretionary basis given that the Group had exceeded budgeted pre-tax profits.

DIRECTORS' SERVICE CONTRACTS

All the service contracts of the executive directors are terminable on 12 months' notice expiring at any time. Under these contracts, directors are entitled, at the Company's option, 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 service contracts (including those of P O'Donnell and C Smith who are retiring by rotation at the Annual General Meeting on 28 April 2004) are in place until the date falling 12 months after the date of the relevant contract. The term of the appointment may be renewed by mutual consent for further periods of 12 months. Non-executive directors are entitled to outstanding fees relating to the unexpired term of their contract in lieu of notice.

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

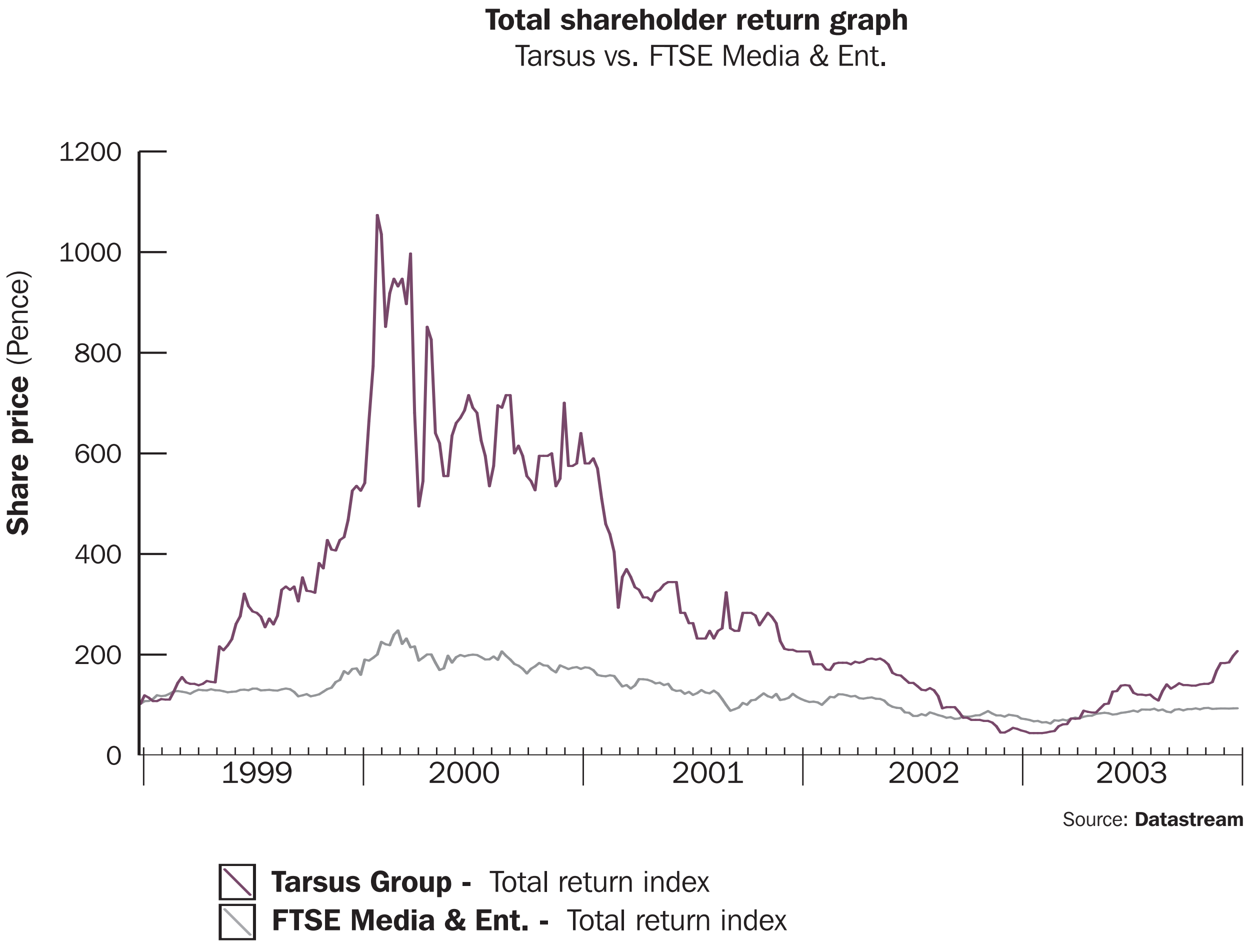
Directors	**Date of Contract**	**Unexpired Term (months)**	**Directors**	**Date of Contract**	**Unexpired Term (months)**
Executive contract			**Non-Executive**		
N D Buch	1/6/98	12	P O'Donnell	14/3/86	12
J D Emslie	1/6/98	12	R T E Ware	1/2/00	11
B Becker	22/5/00	12	C A Smith	1/9/99	6
D P Delaney	02/2/00	Resigned 3 March 2004	H Scrimgeour	4/3/04	12

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 also reflect corporate governance best practice.

TOTAL SHAREHOLDER RETURN

The following graph charts, from 1 January 1999, the total cumulative shareholder return of the Company.

The graph shows a theoretical growth in value of a shareholding over the past 5 years, assuming that gross dividends are re-invested to purchase additional units of an equity at the closing price applicable on the ex-dividend date. The graph compares a shareholding in the Company to a holding of shares in the FTSE Media & Entertainment Index, being shares of the same or a similar kind to the Company.



The FTSE Media and Entertainment Price Index was selected as it was considered to be the most appropriate benchmark in relation to the Group'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 his or her value to the Company. The value of option grants cannot exceed four times the salary of the relevant individual in total. Executive share options are not offered at a discount.

Performance criteria are imposed as a pre-condition 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. The reason for choosing the Company's share price as a performance criterion is to ensure that the interests of employees are aligned as closely as possible with the interests of the shareholders.

DETAILS OF INDIVIDUAL EMOLUMENTS

The auditors are required to report on the information contained in this section of the report, which includes details of individual emoluments, share options and interests in shares.

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

Directors Executive Directors	Salary and fees £	Compensation for loss of office £	Bonus £	Benefits £	Total 2003 £	Total 2002 £
N D Buch	50,000	–	10,000	4,381	64,381	51,828
J D Emslie	130,000	–	20,000	5,161	155,161	134,996
D P Delaney (resigned on 3 March 2004)	100,000	–	12,500	5,808	118,308	105,937
B Becker	53,554	–	10,000	–	63,554	–
L Vaudeville (resigned on 13 January 2003)	–	118,303	–	–	118,303	51,671
Non-Executive						
P O'Donnell	15,000	–	–	–	15,000	15,000
R T E Ware	25,000	–	–	–	25,000	25,000
C A Smith	25,000	–	5,000	1,555	31,555	27,569

Aggregate emoluments in respect of qualifying services amounted to £591,262 (2002: £603,466 including directors who resigned in 2002).

Benefits receivable consist primarily of private fuel and healthcare.

B Becker was paid £46,296 for consultancy services undertaken prior to joining the Group.

No director waived emoluments in respect of the year ended 31 December 2003.

The bonuses above were paid in January 2004.

None of the directors has an expense allowance chargeable to UK tax in respect of the year ended 31 December 2003.

SHARE OPTIONS

Details of share options granted under the Company's Executive Share Option Scheme and held by those directors who served during the year, all of which are beneficially held, are as follows:

	At 1 Jan 2003	Awarded	Exercised	Lapsed	At 31 Dec 2003	Exercise price*	Earliest date of exercise	Expiry date
N D Buch[2]								
24 Jun 98	526,500	–	–	–	526,500	38.0p	24 Jul 01	24 Jun 08
J D Emslie								
24 Jun 98	631,800	–	–	–	631,800	38.0p	24 Jul 01	24 Jun 08
19 Sep 03	–	100,000	–	–	100,000	54.0p	19 Oct 06	19 Sep 13
D P Delaney (resigned on 3 March 2004)								
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
B Becker								
11 May 99	52,650	–	–	–	52,650	76.0p	11 Jun 02	11 May 09
6 Mar 03	–	200,000	–	–	200,000	19.0p	6 Apr 06	6 Mar 13
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

*The exercise price is the market price of the Company's ordinary shares at the date of the award.

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 the Company believes it aligns the directors interests with those of shareholders.

The options granted to Mr Buch and Mr Emslie in 1998, which were granted at the market price of the Company's ordinary shares at the date of the award, have vested. They are currently exercisable as to 75 per cent of the shares under option and will be exercisable as to the balance of 25 per cent in June 2004. The market price at the first date of vesting of the first 50% of their 1998 options was 337.5p.

Other executive directors may exercise all of their shares under option 3 years and 30 days after grant subject to the performance criteria having been met.

The market price of the Company's shares at the end of the financial year was 86.5p and the range of market prices during the year was between 19p and 86.5p, giving an average share price for the year of 42.8p. The market price of the shares in respect of which Mr Emslie was granted options ranged between 54p and 86.5p and in respect of which Mr Becker was granted options ranged between 19p and 86.5p.

There have been no changes to the options held by directors, as set out above, between 31 December 2003 and 4 March 2004.

[2] 263,250 of Mr Buch's options are super options with different performance criteria as set out above.

INTERESTS IN SHARES

The interests of the directors in the Company's Ordinary Shares (all of which are beneficial except as stated below) are shown at 1 January 2003 and 31 December 2003 as set out below:-

Director	**No of ordinary shares at 1 January 2003**	**No of ordinary shares at 31 December 2003 (or earlier resignation)**
N D Buch[3]	10,307,012	11,554,290
J D Emslie	531,642	593,204
P O'Donnell	4,567,105	5,309,038
C A Smith	4,844,911	4,704,135
D P Delaney (resigned on 3 March 2004)	44,811	80,000
R T E Ware	200,000	273,164
B Becker	57,692	107,692
L Vaudeville (resigned on 13 January 2003)	676,048	676,048
H Scrimgeour (appointed 4 March 2004)	–	–

There have been no changes in the interests of directors, as set out above, between 31 December 2003 and 4 March 2004.

ANNUAL GENERAL MEETING

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

R T E Ware
Chairman of the Remuneration Committee
4 March 2004

[3]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 BOARD AND THE COMMITTEES OF THE BOARD

The Board currently comprises three executive and four 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 reason of his previous executive status with the Group.

The Company's Articles of Association require that one third of the current directors must retire at every Annual General Meeting. This year two of the Company's non-executive directors, P O'Donnell and C A Smith, retire by rotation and will not be seeking re-election.

The Company's Articles of Association also require that any person appointed by the directors must retire from office at the first Annual General Meeting after his appointment. H Scrimgeour, who was appointed by the directors on 4 March 2004 and who accordingly retires at the Annual General Meeting on 28 April 2004, is eligible for election and will present himself for election at that Annual General Meeting.

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 employees. 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 presently comprises four non-executive directors (R T E Ware (Chairman), P O'Donnell, C A Smith and H Scrimgeour). The remuneration committee comprises three of the non-executive directors (R T E Ware, P O'Donnell and H Scrimgeour).

The audit committee is chaired by R T E Ware and meets at least twice a year. The Finance Director (or other person holding equivalent responsibilities) 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 16 to 21.

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.

R T E Ware, as the Chairman of both the audit committee and the remuneration committee, expects to be available at the Annual General Meeting to answer any questions from investors.

APPROVAL OF REMUNERATION REPORT

Resolution 10, 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 16 to 21 of this document.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's systems of internal control. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement.

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 2003. The implementation of the requirements of the Turnbull Report took the form of a continuing review of the principal operational risks across the Group and prioritisation of those risks identified for further action. The Company Secretary also provides a report to each meeting of the board highlighting the status of specific identified risk areas.

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

KPMG Audit Plc did not perform any non-audit services (2002: £nil).

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 Group 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 and Group 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 Group and to prevent and detect fraud and other irregularities.

By order of the Board

P F C Begg
Company Secretary
4 March 2004

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TARSUS GROUP PLC

We have audited the financial statements on pages 27 to 52. We have also audited the information in the directors' remuneration report that is described as having been audited.

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 page 22, 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 22 to 24 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 2003 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
4 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 Continuing operations £000's	2003 Discontinued operations £000's	2003 Total £000's	2002 Continuing operations £000's	2002 Discontinued operations £000's	2002 Total £000's
Turnover (including share of joint venture)	1	15,463	2,253	17,716	15,784	3,993	19,777
Less: share of turnover of joint venture		(1,048)	(194)	(1,242)	(940)	(280)	(1,220)
Turnover (excluding joint venture)		14,415	2,059	16,474	14,844	3,713	18,557
Operating costs excluding intangible amortisation		(11,256)	(2,567)	(13,823)	(11,749)	(4,868)	(16,617)
Intangible amortisation – continuing business		(2,852)	–	(2,852)	(3,669)	–	(3,669)
Intangible amortisation – discontinued business		–	(74)	(74)	–	(281)	(281)
Exceptional items		–	–	–	(13,102)	(340)	(13,442)
Total operating costs		(14,108)	(2,641)	(16,749)	(28,520)	(5,489)	(34,009)
Operating profit/(loss)	3	307	(582)	(275)	(13,676)	(1,776)	(15,452)
Share of operating profit/(loss) in joint venture[4]		172	(153)	19	(1,840)	(760)	(2,600)
Loss on sale of discontinued activities		–	(518)	(518)	–	5	5
Profit/(loss) on ordinary activities before interest and taxation		479	(1,253)	(774)	(15,516)	(2,531)	(18,047)
Interest receivable	10	150	–	150	227	–	227
Interest payable	11	(768)	–	(768)	(1,109)	–	(1,109)
Loss on ordinary activities before taxation		(139)	(1,253)	(1,392)	(16,398)	(2,531)	(18,929)
Taxation	12	(718)	217	(501)	(224)	314	90
Loss for the financial year		(857)	(1,036)	(1,893)	(16,622)	(2,217)	(18,839)
Dividend	13	(982)	–	(982)	(1,536)	–	(1,536)
Retained loss for the financial year	24	(1,839)	(1,036)	(2,875)	(18,158)	(2,217)	(20,375)
Earnings/(loss) per share (pence)	14						
Adjusted				4.0			2.3
Adjusted continuing activities				5.1			4.6
Basic and diluted				(4.7)			(52.2)

There is no difference between the profit reported above and the historical cost profit.

[4]After charging £60,000 goodwill amorisation (2002: £218,000) and exceptional cost of £nil (2002: £2,729,000).

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	2003 £000's	2002 £000's
Loss for the financial year	(1,893)	(18,839)
Foreign exchange gains and losses offset in reserves	(185)	(202)
Total recognised losses for the year	(2,078)	(19,041)

The movement in group reserves is shown in note 24.

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

	2003 £000's	2002 £000's
Loss attributable to shareholders	(1,893)	(18,839)
Nominal value of share options exercised	-	2
Nominal value of scrip dividend	141	13
Proceeds of ordinary shares issued for cash – Placing and Open Offer	2,005	4,613
Premium on options exercised	-	11
Premium on scrip dividend	373	216
Recognised foreign exchange gains and losses for the year	(185)	(202)
Dividend paid	-	(703)
Dividend declared	(982)	(833)
Net change in shareholders' deficit	(541)	(15,722)
Opening equity shareholders' (deficit)/funds	(2,085)	13,637
Closing equity shareholders' deficit	(2,626)	(2,085)

Included in recognised foreign exchange gains and losses are foreign exchange losses of £343,000 (2002: £69,000) arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2003

	Notes	Group 2003 £000's	Group 2002 £000's	Company 2003 £000's	Company 2002 £000's
FIXED ASSETS					
Intangible assets	15	15,009	18,170	–	–
Tangible assets	17	236	427	6	5
Investments	18	–	–	8,611	8,764
Interest in joint ventures	16	1,804	2,100	–	–
– Share of gross assets		995	1,736	–	–
– Share of gross liabilities		(542)	(1,047)	–	–
– Goodwill arising on acquisition		1,351	1,411	–	–
		17,049	20,697	8,617	8,769
CURRENT ASSETS					
Debtors	19	6,505	7,113	29,778	26,647
Cash at bank and in hand		2,545	5,824	977	5,397
		9,050	12,937	30,755	32,044
CREDITORS: Amounts falling due within one year	20	(19,380)	(20,530)	(8,256)	(13,936)
NET CURRENT (LIABILITIES)/ASSETS		(10,330)	(7,593)	22,499	18,108
TOTAL ASSETS LESS CURRENT LIABILITIES		6,719	13,104	31,116	26,877
CREDITORS: Amounts falling due after more than one year	21	(8,447)	(13,799)	(100)	(124)
PROVISIONS for liabilities and charges	22	(898)	(1,390)	(184)	(78)
		(2,626)	(2,085)	30,832	26,675
CAPITAL & RESERVES					
Called up share capital	23	2,235	1,891	2,235	1,891
Share premium account	24	25,610	23,435	25,610	23,435
Capital redemption reserve		15	15	15	15
Other reserves	24	(443)	(443)	(443)	(443)
Profit and loss account	24	(30,043)	(26,983)	3,415	1,777
Equity shareholders' (deficit)/funds		(2,626)	(2,085)	30,832	26,675

The financial statements on pages 27 to 52 were approved by the Board of Directors on 4 March 2004 and were signed on its behalf by:

N D Buch
Director

D Emslie
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003		2002	
	£000's	£000's	£000's	£000's
Operating activities				
Net cash inflow/(outflow) from operating activities		3,875		(1,065)
Dividend from joint venture		145		331
Returns on investment and servicing of finance				
Interest received on cash deposit	172		304	
Interest paid on bank overdraft	(1,120)		(779)	
Net cash outflow from returns on investment and servicing of finance		(948)		(475)
Tax paid – overseas		(275)		(128)
Capital expenditure				
Purchase of tangible fixed assets	(28)		(98)	
Proceeds on disposal of tangible fixed asset	6		20	
Net cash outflow from capital expenditure		(22)		(78)
Acquisitions and disposals				
Purchase of subsidiary undertaking and joint venture	(28)		(249)	
Proceeds on disposal of subsidiary	831		–	
Costs of disposal of subsidiary	(852)		–	
Deferred consideration paid for prior year acquisitions	(448)		(751)	
Consideration adjustment on prior year acquisitions	–		262	
Net cash outflow for acquisitions and disposals		(497)		(738)
Equity dividends paid		(298)		(474)
Cash inflow/(outflow) before financing		1,980		(2,627)
Financing				
Issue of ordinary share capital	2,072		5,079	
Cost of share issue	(87)		(452)	
Repayment of loan	(479)		–	
Repayment of loan note	(5,200)		(500)	
Net cash (outflow)/inflow from financing		(3,694)		4,127
(Decrease)/increase in cash in the period		(1,714)		1,500

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

	2003 £000's	2002 £000's
Group operating loss	(275)	(15,452)
Depreciation	178	402
Amortisation of goodwill	2,926	3,950
Impairment of goodwill	–	10,566
Loss on disposal of fixed assets	55	189
Decrease in debtors	1,104	1,515
Decrease in creditors due within one year	(92)	(2,036)
Increase/(decrease) in creditors due after more than one year	747	(235)
(Decrease)/increase in provisions	(768)	36
Net cash inflow/(outflow)	3,875	(1,065)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2003 £000's	Cash flow £000's	Exchange movement £000's	At 31 December 2003 £000's
Cash at bank and in hand including on deposit	5,824	(3,279)	–	2,545
Overdraft	(1,565)	1,565	–	–
Subtotal	4,259	(1,714)	–	2,545
Debt due within one year	(5,935)	(739)	–	(6,674)
Debt due after one year	(13,675)	6,418	(343)	(7,600)
Net debt	(15,351)	3,965	(343)	(11,729)

RECONCILIATION OF NET CASH FLOWS TO MOVEMENTS IN NET DEBT

	2003 £000's	2002 £000's
(Decrease)/increase in cash in the period	(1,714)	1,500
Repayment of loan	479	–
Repayment of loan note	5,200	500
Change in net debt resulting from cash flows	3,965	2,000
Net debt at 1 January	(15,351)	(17,282)
Translation differences on loans	(343)	(69)
Net debt at 31 December	(11,729)	(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, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Consolidation
The consolidated financial statements to 31 December include the Company and all its subsidiaries. Unless otherwise stated the acquisition method of accounting has been adopted. Under this method 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% 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 accruals 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 interests in MM Star and MD Management have 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 interests in MM Star and MD Management 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; continuing operating profit including joint venture and excluding exceptional items; and adjusted operating profit/(loss)[5] by origin is set out below.

	2003 Turnover £000's	2002 Turnover £000's
Geographical Segment		
Europe (inc. joint venture)	13,444	11,730
United States of America	3,814	7,377
Emerging markets	458	670
Total including joint venture	17,716	19,777
Continuing	15,463	15,784
Discontinued – Europe	2,253	3,627
Discontinued – USA	–	366
Total including joint venture	17,716	19,777
Group	16,474	18,557
Share of joint venture	1,242	1,220
Total including joint venture	17,716	19,777

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

	2003 Continuing operating profit/(loss) £000's	2002 Continuing operating profit/(loss) £000's	2003 Adjusted operating profit/(loss) £000's	2002 Adjusted operating profit/(loss) £000's
Geographical Segment				
Europe (inc. joint venture)	(331)	(2,664)	1,649	242
United States of America	937	2,556	1,234	2,670
Emerging markets	(127)	(306)	(122)	(373)
Europe discontinued	–	–	(649)	(762)
USA discontinued	–	–	–	(372)
Total including joint venture	479	(414)	2,112	1,405
Group	307	(574)		
Share of joint venture	172	160		
Total including joint venture	479	(414)		
Impairment	–	(10,226)		
Exceptional items	–	(2,876)		
Operating loss on discontinued activities	(582)	(1,776)		
Share of joint venture	(172)	(160)		
Group operating loss	(275)	(15,452)		

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. As a result of the disposal of the Group's standalone publishing operations, the Group no longer shows the split of revenues and operating profit by media segment as they are now all derived substantially from the Group's exhibition activities. Integrated publishing activities, including annual directories accounted for £1,988,000 of turnover in 2003 (2002: £2,065,000). These were included as part of the publishing segment in 2002.

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

	2003 Net (liabilities)/ assets £000's	2002 Net (liabilities)/ assets £000's
Geographical segment		
Europe	(13,314)	(11,893)
United States of America	10,224	9,808
Emerging markets	464	–
	(2,626)	(2,085)

2. PROFIT AND LOSS ANALYSIS

The following analysis illustrates the performance of the Group's continuing and discontinued activities and reconciles the Group's adjusted profits (before exceptional items, amortisation and (loss)/profit on discontinued activities) to statutory profit/(loss).

	2003 Continuing operations £000's	2003 Discontinued operations £000's	2003 Total £000's	2002 Continuing operations £000's	2002 Discontinued operations £000's	2002 Total £000's
Revenue	14,415	2,059	16,474	14,844	3,713	18,557
Cost of sales	(5,804)	(1,654)	(7,458)	(6,281)	(2,985)	(9,266)
Gross profit	8,611	405	9,016	8,563	728	9,291
Overheads	(5,452)	(913)	(6,365)	(5,468)	(1,883)	(7,351)
Operating profit/(loss)	3,159	(508)	2,651	3,095	(1,155)	1,940
Joint venture	220	(141)	79	326	21	347
Net interest	(618)	–	(618)	(882)	–	(882)
Profit/(loss) before tax, exceptional items & amortisation	2,761	(649)	2,112	2,539	(1,134)	1,405
Exceptional items	–	–	–	(2,536)	(340)	(2,876)
Joint venture amortisation	(48)	(12)	(60)	(166)	(52)	(218)
Joint venture exceptional items	–	–	–	(2,000)	(729)	(2,729)
Intangible amortisation	(2,852)	(74)	(2,926)	(14,235)	(281)	(14,516)
	(139)	(735)	(874)	(16,398)	(2,536)	(18,934)
(Loss)/profit on sale of discontinued activities	–	(518)	(518)	–	5	5
Loss before tax	(139)	(1,253)	(1,392)	(16,398)	(2,531)	(18,929)
Taxation	(718)	217	(501)	(224)	314	90
Loss for the period	(857)	(1,036)	(1,893)	(16,622)	(2,217)	(18,839)
Dividend	(982)	–	(982)	(1,536)	–	(1,536)
Retained loss for the year	(1,839)	(1,036)	(2,875)	(18,158)	(2,217)	(20,375)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING LOSS

	2003 Total £000's	2002 Total £000's
Turnover	16,474	18,557
Cost of sales	(7,458)	(9,266)
Gross profit	9,016	9,291
Administrative expenses	(6,365)	(7,351)
Administrative expenses – exceptional items	–	(2,876)
Administrative expenses – goodwill amortisation and impairment	(2,926)	(14,516)
Total administrative expenses	(9,291)	(24,743)
Group operating loss	(275)	(15,452)

Operating loss is stated after charging:		
Depreciation	178	402
Amortisation of goodwill (note 15)	2,926	3,950
Auditors' remuneration		
– group audit (final)	57	52
– company audit (final)	38	30
Previous auditors' remuneration		
– group audit (interim)	–	15
– non audit–work, including expenses and benefits in kind	–	133
Staff costs (note 9)	5,973	6,872
Lease rentals – property	300	772
Lease rentals – equipment	147	135

Exceptional costs/(income) are set out below.

Impairment of intangible assets (note 15)	–	10,566
Pre–acquisition litigation costs	–	32
Redundancies	–	1,858
Relocations	–	924
Venue litigation	–	62
Subtotal	–	13,442
Profit on sale or closure of discontinued events	–	(5)
Impairment on joint venture	–	2,662
Exceptional items on joint venture	–	67
Subtotal	–	16,166
Tax credit on exceptional items	–	(668)
Total	–	15,498

External barter transactions included in the turnover and cost of sales are £497,000 (2002: £721,000).

4. ACQUISITIONS

The Group made no acquisitions during the year.

5. DISCONTINUED ACTIVITIES

On 17 January 2003, Tarsus Organex Limited, a wholly owned subsidiary of Tarsus Group plc, sold its UK Organic Food Exhibition, Organex, to Diversified Business Communications Inc. for a cash consideration estimated to be £0.25 million.

Tarsus received £135,000 cash on completion. A further £29,000 was received upon completion of the 2003 event, with the balance dependant upon the outcome of the 2004 event, to be run by Diversified Business Communications Inc.

On 9 June 2003 the Group sold the goodwill and contracts relating to Exhibition Bulletin for £1,100,000. Tarsus received £500,000 cash on completion and retained advanced subscription and advertising revenues of £167,000. In addition the Company received £150,000 in February 2004 and will receive £150,000 in July 2004 and £133,000 in January 2005.

On 19 December 2003, the Group sold, through its subsidiary Groupe MM SA and its associate MMStar SA, (35% owned by Groupe MM SA) the goodwill and intellectual property related to the following magazines: Marketing, Marketing Direct and Centre d'Appels together with their related websites and awards events to Action Commerciale SAS for €1. The Company has entered into a 5-year agreement whereby Action Commerciale will provide advertising and editorial support for Tarsus's exhibitions in France. Tarsus and MMStar have also agreed to pay Action Commerciale up to €450,000 to meet future obligations of the magazine division.

The results for the year ended 31 December 2003 are disclosed as discontinued on the face of the profit and loss account.

6. JOINT VENTURE

By a series of Agreements dated 1 December 2003, Tarsus Group plc agreed with Rising Star Media Group Limited, to establish a new company to promote and organise exhibitions, conferences and seminars in emerging markets. This company, which is called Rising Star Exhibitions Limited is currently owned as to 50 percent by Rising Star Media Group Limited and as to 50 percent by Stanislava Blagoeva

Tarsus Group plc has agreed to subscribe up to £200,000 of convertible loan stock in the company (which can be converted to 50 percent of the equity at any time) and has agreed to extend a working capital facility to the company of up to £30,000, which has now been fully advanced. An initial investment of £45,000 has been subscribed to date in convertible loan stock.

The first show to be organised by Rising Star Exhibitions Limited will be the Beijing International Travel and Tourism Show ("BITTM") which will take place from 23-25 April 2005 in Beijing.

7. LOSSES FOR THE FINANCIAL YEAR

The loss for the financial year includes a profit of £3,323,000 before dividends (2002: £1,693,000) 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.

8. DIRECTORS' EMOLUMENTS

	2003 £000's	2002 £000's
Directors:		
Aggregate emoluments	591	603
Highest paid director:		
Aggregate emoluments	155	135

The detailed numerical analysis of directors' remuneration is included in the report of the Remuneration Committee on pages 16 to 21 and forms part of these financial statements.

9. EMPLOYEE INFORMATION

	2003 Number	2002 Number
The average number of persons employed by the Group, including executive directors, during the year was:		
Senior management	10	17
Sales and marketing	56	69
Publishing	33	40
Internet	6	2
Finance and administration	26	33
	131	161
Employment costs of all of the employees included above were:		
Wages and salaries	4,766	5,486
Social security costs	1,158	1,316
Health care	49	70
	5,973	6,872

Included in wages and salaries above is £562,000 (2002: £1,657,000) which has been included in the loss on sales of investment (2002: exceptional items, note 3) as redundancy payments.

10. INTEREST RECEIVABLE

	2003 £000's	2002 £000's
Bank interest receivable	150	227

11. INTEREST PAYABLE

	2003 £000's	2002 £000's
On bank loans and overdrafts	(647)	(917)
On loan notes	(116)	(162)
Interest on deferred consideration	(5)	(30)
	(768)	(1,109)

12. TAXATION

	2003 £000's	2002 £000's
Current tax		
UK tax on profits for the period	–	–
Overseas tax on profits for the period	199	(28)
Overseas tax on joint venture	156	92
Adjustments of UK corporation tax in respect of previous periods	146	67
Current tax charge for the period	501	131
Deferred tax		
Movement in the period	–	(221)
Tax charge/(credit)for the year	501	(90)

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

	2003 £000's	2002 £000's
Loss before taxation per consolidated accounts	(1,392)	(18,929)
Tax at the standard rate of corporation tax in UK of 30%	(418)	(5,679)
Effects of:		
Expenses not deductible	510	5,642)
Marginal tax on overseas profits	35	(121)
Capital allowances for period in excess of depreciation	30	68
Unutilised losses in the year	198	154
Adjustment to tax charge in respect of previous periods	146	67
Current tax charge for the period	501	131

Deferred tax asset	2003 £000's	2002 £000's
Balance as at 1 January	622	401
Credit to the profit and loss account	–	221
Balance as at 31 December	622	622
Comprising:		
Accelerated capital allowances	68	68
Tax losses	554	554
	622	622

The Group has an unrecognised deferred tax asset of £1,827,000 (2002: £1,686,000).

13. DIVIDENDS

	2003 £000's	2002 £000's
Equity – Ordinary		
Interim paid: 2.2p per share	–	703
Final proposed: 2.2p per share	982	833
	982	1,536

The directors announced the proposed final dividend for 2003, of 2.2p per share, on 4 March 2004. The proposed date of payment is 29 April 2004, subject to approval at the Annual General Meeting on 28 April 2004.

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.

14. EARNINGS/(LOSS) PER SHARE

	2003		2002	
	£000's	Per share	£000's	Per share
Loss/basic loss per share	(1,893)	(4.7)p	(18,839)	(52.2)p
Adjustments:				
Exceptional items	–	–	16,171	44.8 p
Exceptional items – tax	–	–	(668)	(1.8)p
Amortisation – group	2,926	7.3p	3,950	10.9p
Amortisation – joint venture	60	0.1p	218	0.6p
Loss/(profit) on sale of discontinued activities	518	1.3p	(5)	–
Adjusted earnings per share	1,611	4.0p	827	2.3p
Discontinued activities	432	1.1p	819	2.3p
Adjusted continuing earnings per share	2,043	5.1p	1,646	4.6p

The adjusted earnings per share is based on profits after tax from continuing operations before amortisation of goodwill, exceptional items and (loss)/profit on sale of discontinued activities of £2,042,711 (2002: £1,646,156) and 40,357,925 (2002: 36,107,914) 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 40,357,925 ordinary shares (2002: 36,107,914), being the weighted average number of shares in issue during the period, and losses attributable to ordinary shareholders for the year of £1,892,747 (2002: £18,838,754).

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

15. INTANGIBLE FIXED ASSETS – GOODWILL

	2003 £000's
GROUP	
Cost:	
At 1 January 2003	55,161
Purchased in year	28
Disposals	(4,669)
Foreign exchange adjustments	272
Adjustments to deferred consideration	253
At 31 December 2003	51,045
Amortisation:	
At 1 January 2003	36,991
Amortisation charge for year (note 3)	2,926
Disposals	(3,881)
At 31 December 2003	36,036
Net book value	
At 31 December 2003	15,009
At 31 December 2002	18,170

16. INTEREST IN JOINT VENTURES

	Goodwill £000's	Share of Net Assets £000's	Total £000's
At 1 January 2003	1,411	689	2,100
Share of retained loss	–	(77)	(77)
Amortisation	(60)	–	(60)
Dividend received	–	(146)	(146)
Exchange adjustments	–	(13)	(13)
At 31 December 2003	1,351	453	1,804

The joint venture interests are listed in note 29.

17. TANGIBLE FIXED ASSETS

GROUP	Computer equipment £000's	Fixtures & fittings £000's	Total £000's
Cost or valuation:			
At 1 January 2003	1,073	271	1,344
Additions	21	7	28
Disposals	(378)	(26)	(404)
Foreign exchange differences	46	–	46
At 31 December 2003	762	252	1,014
Depreciation:			
At 1 January 2003	768	149	917
Charge for year	121	57	178
On disposal	(324)	(19)	(343)
Foreign exchange differences	30	(4)	26
At 31 December 2003	595	183	778
Net book values:			
At 31 December 2003	167	69	236
At 31 December 2002	305	122	427

COMPANY	Computer equipment £000's	Fixtures & fittings £000's	Total £000's
Cost or valuation:			
At 1 January 2003	78	14	92
Additions	5	–	5
Disposals	(78)	(5)	(83)
At 31 December 2003	5	9	14
Depreciation:			
At 1 January 2003	77	10	87
Charge for year	1	3	4
On disposal	(78)	(5)	(83)
At 31 December 2003	–	8	8
Net book values:			
At 31 December 2003	5	1	6
At 31 December 2002	1	4	5

18. FIXED ASSET INVESTMENTS

COMPANY	2003 £000's
Shares in subsidiary undertakings	
Cost: At 1 January 2003	26,816
Disposals	(741)
Transferred from subsidiary undertaking	191
At 31 December 2003	26,266
Impairment	
At 1 January 2003	18,052
Disposal	(397)
At 31 December 2003	17,655
Net book value:	
At 31 December 2003	8,611
At 31 December 2002	8,764

The subsidiary undertakings are listed in note 29.

19. DEBTORS

	Group		Company	
	2003 £000's	**2002 £000's**	**2003 £000's**	**2002 £000's**
Trade debtors	4,179	4,572	–	–
Prepaid event costs	657	750	–	–
Amounts due from subsidiary undertakings	–	–	29,641	26,535
Deferred taxation	622	622	–	–
Prepaid taxes	79	–	–	–
Other taxation	16	–	–	4
Other debtors	879	960	128	66
Prepayments and accrued income	73	209	9	42
	6,505	7,113	29,778	26,647

Deferred tax asset of £622,000 (2002: £622,000) has been recognised based on forecasts that indicate suitable taxable profits will arise.

Included in Other debtors is an amount of £133,000 relating to the deferred consideration on the disposal of Exhibition Bulletin, receivable in January 2005.

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	**2002**	**2003**	**2002**
	£000's	**£000's**	**£000's**	**£000's**
Bank loans	6,674	735	3,913	–
Bank overdrafts	–	1,565	–	4,970
Loan notes	–	5,200	–	5,200
Trade creditors	2,002	2,520	9	23
Amounts due to subsidiary undertakings	–	–	2,870	2,434
Corporation tax	67	–	–	–
Other taxes and social security	2,914	2,303	19	19
Other creditors	705	331	–	–
Accruals	1,450	2,164	249	443
Deferred income	4,340	4,459	–	–
Deferred consideration	245	420	213	14
Dividends payable	983	833	983	833
	19,380	20,530	8,256	13,936

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

	Group		Company	
	2003	**2002**	**2003**	**2002**
	£000's	**£000's**	**£000's**	**£000's**
Creditors falling due between one and two years				
Deferred income	747	–	–	–
Deferred consideration	100	124	100	124
Bank loans	2,000	8,675	–	–
	2,847	8,799	100	124
Creditors falling due between two and five years				
Bank loans	5,600	5,000	–	–
	5,600	5,000	–	–
Total Creditors	8,447	13,799	100	124

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 3.11 per cent per annum. The second is denominated in Euros and bears interest at 4.26 per cent.

The loan is secured as part of the Group's overall facility over certain of the Group's assets. The Group's total facility expires on 31 December 2007. The facility is repayable in six monthly instalments on 30 June and 31 December each year up to the expiry date.

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2003	**2002**	**2003**	**2002**
	£000's	**£000's**	**£000's**	**£000's**
Restructuring provisions				
At 1 January	1,199	1,154	16	–
Charged to profit and loss account	421	3,762	–	28
Paid / utilised in year	(1,062)	(3,717)	(16)	(12)
	558	1,199	–	16
Litigation provision				
At 1 January	124	200	62	–
Charged to profit and loss account	–	124	–	62
Paid / utilised in year	(35)	(200)	(62)	–
	89	124	–	62
Tax provision				
At 1 January	67	–	–	–
Charged to profit and loss account	184	67	184	–
	251	67	184	–
Total provisions at 31 December	898	1,390	184	78

23. CALLED UP SHARE CAPITAL

Group and Company	**2003**		**2002**	
	Number	**Number**		
	£000's	**£000's**	**£000's**	**£000's**
Authorised:				
Ordinary shares of 5p each	60,000	3,000	60,000	3,000
Allotted, called up and fully paid:				
At 1 January	37,822	1,891	31,897	1,595
Options exercised	–	–	35	2
Scrip dividend	2,809	141	261	13
Placing	4,063	203	5,629	281
At 31 December	44,694	2,235	37,822	1,891

The value of options exercised in 2003 totalled £nil (2002: £13,000).
The value of the scrip dividend taken in 2003 totalled £534,000 (2002: £229,000).
The value of the shares issued in the Placing totalled £2,072,000 before issue expenses (2002: £5,066,000).

The following options remain outstanding as at 31 December 2003 and are exercisable during the periods referred to below.

Year of Grant	Exercise Price (pence)	Exercise Period	Numbers
1998	38	2001–2008	1,535,558
1999	62	2002–2009	52,650
1999	76	2002–2009	68,445
1999	163	2002–2009	47,384
1999	185	2002–2009	6,318
2000	264	2003–2010	26,325
2000	423	2003–2010	26,082
2000	275	2003–2010	4,000
2000	350	2003–2010	91,600
2001	170	2004–2011	81,000
2001	120	2004–2011	83,585
2002	44.5	2005–2012	305,000
2003	19.0	2006–2013	300,000
2003	54.0	2006–2013	395,000

In 2003 nil options were exercised and 437,535 options lapsed.

24. RESERVES

	Share premium account £000's	Other reserves £000's	Profit & loss account £000's
GROUP			
At 1 January 2003	23,435	(443)	(26,983)
Premium on shares issued	2,175	–	–
Exchange adjustments	–	–	(185)
Retained loss for the year	–	–	(2,875)
At 31 December 2003	25,610	(443)	(30,043)
COMPANY			
At 1 January 2003	23,435	(443)	1,777
Premium on shares issued	2,175	–	–
Exchange adjustments	–	–	(702)
Retained profit for the year	–	–	2,340
At 31 December 2003	25,610	(443)	3,415

25. OPERATING LEASE COMMITMENTS

The Group has annual commitments under non-cancellable operating leases in respect of properties and office equipment as follows:

At 31 December 2003	Property £000's	Office Equipment £000's	2003 Total £000's
Within one year	3	21	24
Within two to five years	321	74	395
	324	95	419

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

26. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, debtors and creditors falling due within one year and deferred consideration 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:

78 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 2003 66 per cent of the Group's sales were made in currencies other than sterling (2002: 89 per cent).

There were no hedging contracts in place at 31 December 2003.

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 with the UK and amounts to €1,005,367 and $234,824 (2002: €1,651,279). This currency risk exposure relates to debtor balances from Labelexpo Europe, Labelexpo Russia and Employment Week.

At 31 December 2003

Interest rate risk profile of financial liabilities

	Non interest Bearing £000's	Fixed interest rate £000's	Total 2003 £000's	Total 2002 £000's
Sterling				
Deferred consideration	100	–	100	124
Overdrafts	–	–	–	1,565
Loan note bearing interest at 1% below LIBOR	–	–	–	5,200
	100	–	100	6,889
US Dollars				
$7 million loan	–	3,913	3,913	4,970
$1 million loan	–	559	559	–
	–	4,472	4,472	4,970
Other European currencies				
€13.9 million loan	–	9,802	9,802	9,440
	100	14,274	14,374	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 ($)	3.05	0.07	–
Other European currencies	4.33	0.17	–

Interest rate risk profile of financial assets

	2003 £000's	2002 £000's
Sterling cash at bank	411	5,200
US Dollars	1,540	372
Other European currencies	594	252
	2,545	5,824
Floating rate	1,986	624
Fixed rate	559	5,200
	2,545	5,824

Floating rate cash earns interest based on LIBOR rates.

	2003	2002
Fixed rate deposits		
Weighted average interest rate	3.43%	3.60%
Weighted average period for which rate is fixed in years	0.06	0.50
Weighted average period until maturity in years	0.06	0.14

Maturity of financial liabilities

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

	2003 £000's	2002 £000's
Less than one year		
Overdraft	–	1,565
Bank loans	6,674	735
Loan notes	–	5,200
	6,674	7,500
One to two years		
Deferred consideration	100	124
Bank loans	2,000	8,675
	2,100	8,799
Two to five years		
Bank loans	5,600	5,000
	5,600	5,000
	14,374	21,299

Borrowing facilities

The Group has undrawn committed borrowing facilities at 31 December 2003 of £2,985,000 (2002: £1,200,000). The total net bank facility available at 31 December 2003 from the Group's principal bankers is £17,259,000 (2002: £17,175,000).

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 21).

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 2003 and 31 December 2002.

	2003 Book and fair value £000's	2002 Book and fair value £000's
Primary financial instruments held to finance the Group's operations		
Cash at bank	2,545	5,824
Financial liabilities	(14,374)	(21,299)

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. CONTINGENT LIABILITIES

The Company has no contingent liabilities.

29. INTEREST IN SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

The Company is the holding company of the Group. The subsidiaries and joint ventures 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 Limited	25 June 1998	100	England
Tarsus New Media 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 Limited	6 December 1999	100	England
Tarsus Partners	25 June 1998	100	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 Center, Inc	19 October 1999	100	United States
Tarsus GEP Inc	17 April 2001	100	United States
Tarsus Groupe MM SA	22 May 2000	100	France
EFTA sarl	22 May 2000	100	France
MM Star SA	22 May 2000	35	France
MD Management sas	7 October 2002	50	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 New Media 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 Chalk Hill 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 Cook & Franke, 660, East Mason Street, Milwaukee, Wisconsin 53202, USA.

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 of The Off-Price Specialist Center, 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighteenth 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 Chalk Hill Road, London W6 8DW on 28 April, 2004 at 11.00 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 2003.
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 29 April 2004 to those shareholders on the Register of Members as at the close of business on 19 March 2004.
3. To elect H Scrimgeour as a Director.
4. 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 5, 6, 7 and 10 as Ordinary Resolutions and in the case of Resolutions 8 and 9 as Special Resolutions:

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

6. THAT the authorised share capital of the Company be and is hereby increased from £3,000,000 consisting of 60,000,000 ordinary shares of 5p each to £4,000,000 consisting of 80,000,000 ordinary shares of 5p each by the creation of an additional 20,000,000 ordinary shares of 5p each in the capital of the Company.

7. 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 £744,911 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 2004 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.

8. THAT conditionally on the passing of the Resolution numbered 7 above and in substitution for all existing powers, 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 7 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 2004 (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;
(ii) the allotment of equity securities in connection with or pursuant to the options the Company is proposing to grant to each of Ed Bernard (and/or Bermo Enterprises Inc. and/or as either of them may direct) and Steven Wax (and/or Bounty Trading Corp. and/or as either of them may direct) ("the Exhibitors") in April 2004 pursuant to agreements entered into, or to be entered into, between the Company and each of the Exhibitors;
(iii) the allotment (otherwise than as referred to in sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £111,736.

9. 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 4,469,467;
(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.

10. THAT the directors' remuneration report set out on pages 16 to 21 of the report be and is hereby approved.

PFC Begg

By order of the Board

P F C Begg
Company Secretary
4 March 2004

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 11.00am on 26 April 2004 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.

7. The levels of proxy votes received in respect of each resolution will be disclosed at the Annual General Meeting.