Company Registration No. 318267

CONSTELLATION CORPORATION plc

Report and Financial Statements

31 December 2002

CONSTELLATION CORPORATION plc

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CONSTELLATION CORPORATION plc

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A C Garner	
R S Hingley	
J Bartle, CBE	
K T Kantor	(resigned 18 February 2002)
B R Lakefield	
R G Robinson	(appointed 23 December 2002)
H R P Thompson	(resigned 15 August 2002)

SECRETARY

R G Robinson

REGISTERED OFFICE

6 Derby Street
London
W1Y 7HD

BANKERS

Lloyds TSB plc
14 Church Street
Rugby
Warwickshire
CV21 3PL

AUDITORS

Deloitte & Touche
Chartered Accountants
Birmingham

NOMINATED ADVISERS

John East & Partners Limited
Crystal Gate
28 – 30 Worship Street
London
EC2A 2AH

REGISTRARS

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

BROKERS

Insinger Townsley
44 Worship Street
London
EC2A 2JT

CONSTELLATION CORPORATION plc

CHAIRMAN'S STATEMENT

I am pleased to present the annual results for the year ended 31 December 2002. As reported in the interim statement presented to you in December last year, much of the year was spent on a potential acquisition which would have broadened the range of HR services the group offered and on battling in the most difficult marketplace the search industry has experienced in living memory. Ultimately, the negotiations were judged not to be in shareholders' interests and were terminated.

The results for the second half of 2002 were significantly better than the first half. Indeed, the group made an operating profit of £42,000 in that period. Taking into account the abortive acquisition costs of £338,000, the operating loss for the year was £893,000 (2001: loss of £5,499,000). Of the year's operating loss, £219,000 was attributable to Garner International Singapore Pte Limited which was sold back to its original vendors in August 2002.

Notwithstanding the continuing difficulties in our sector, current trading for the first half of 2003 is encouraging and the Board is hopeful of generating a small profit for the coming year.

J. Bartle

J BARTLE

Chairman

30 June 2003

CONSTELLATION CORPORATION plc

DIRECTORS' REPORT

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

ACTIVITIES

The principal activity of the Group during the period was executive search and selection.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Chairman's Statement on page 2 reviews the activities of the Group including a statement of recent and future developments.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 12.

The directors do not recommend payment of any dividends (2001: £Nil). Further information on dividends is given in note 11 to the accounts.

Retained losses carried forward are increased by £913,000 (2001: £5,653,000).

DIRECTORS AND THEIR INTERESTS

The present directors who served during the year are shown on page 1. Their interests in the shares of the company as defined by the Companies Act 1985, are shown in the Report of the Remuneration Committee on pages 7 and 8.

R G Robinson retires, and B R Lakefield and A C Garner retire by rotation, and being eligible, offer themselves for re-election.

SUBSTANTIAL SHARE INTERESTS

As at 31 December 2002, the Company had been notified of the following interests in its issued share capital and warrants:

	Ordinary shares of 0.5p each
A C Garner	301,086,939
Vidacos Nominees Limited	100,553,000
Pershing Keen Nominees Limited	67,159,998

As far as the directors are aware, no other entities or individuals held 3% or more of the shares in issue.

CONSTELLATION CORPORATION plc

DIRECTORS' REPORT

SHARE CAPITAL MOVEMENTS

Movements in share capital are included in note 22 to the Balance Sheet.

EMPLOYEE INVOLVEMENT

The company has well established communications and consultation procedures with all employee groups. These continually evolve to meet the changing needs of the business and are considered valuable by both management and staff.

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to give a full and fair consideration to the employment and promotion of disabled persons where they appear suitable, having regard to their particular aptitudes and abilities. Where existing employees become disabled it is the Company's policy to find them alternative suitable employment within the Group where possible.

CREDITOR PAYMENT POLICY

The Company and Group do not have a standard or code which deals specifically with the payment of suppliers. The Group does, however, endeavour to comply with the terms and conditions agreed with suppliers when orders are placed. Trade creditor days of the Company at 31 December 2002, calculated in accordance with the requirements of the Companies Act 1985, were 186 days. This represents the ratio, expressed in days, between the amounts invoiced to the Company in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. However, at present they remain the company's auditors and have signed the accounts in that capacity. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the accounts have been signed in the name of Deloitte & Touche, a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

R. G. Robinson

R G ROBINSON

Secretary

30 June 2003

CONSTELLATION CORPORATION plc

CORPORATE GOVERNANCE

As a company listed on the Alternative Investment Market of the London Stock Exchange, Constellation Corporation plc is not required to comply with the Combined Code ("the Code") adopted by the UK Listing Authority. However, the Board of Directors has considered the effects of the Code and taken steps to comply with the Code insofar as it can be applied practically, given the size of the Group and the nature of its operations.

The Audit Committee comprised all of the non-executive directors and has met as required during the course of the year.

The Directors also acknowledge their responsibility for the Group's system of internal control of which the objectives are:

a) Safeguarding Group assets.

b) Ensuring proper accounting records are maintained.

c) Ensuring that the financial information used within the business and for publication is reliable.

The key procedures that have operated during the financial year are set out below:

a) The Board meets regularly to review all aspects of the Group's performance concentrating mainly on financial performance, business risks and development.

b) A number of matters are reserved for the Board's specific approval including major capital expenditure, banking and dividend policy.

In establishing the systems of internal control, the directors have implemented a control environment, risk management procedures and reporting processes appropriate to the size of the Group. Further procedures will continue to be adopted in respect of all the Group's activities to further improve financial control.

After making appropriate enquiries that the Group has adequate resources to continue in operation for the foreseeable future, the Board considers that the Group's finances are sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Remuneration Committee consists of all the non-executive directors.

The remuneration of the non-executive directors is determined by the Board.

At present the committee annually reviews the level of directors' remuneration packages. Disclosure of directors' remuneration is provided in the report of the Remuneration Committee.

CONSTELLATION CORPORATION plc

DIRECTORS' REMUNERATION REPORT

Unaudited information:

Under the company's Articles of Association, the Board may delegate any of its powers, authorities and discretions to a sub-committee of the Board.

The Remuneration Committee comprises the independent non-executive directors. The Committee is formally constituted with written terms of reference. No individual director participates when his own remuneration is under consideration.

In formulating its remuneration policy, the Committee has given full consideration to the relevant sections of the Combined Code issued by the Committee on Corporate Governance.

There follows the full text of the Remuneration Report for the year ended 31 December 2002 which has been approved and adopted by the Board of Directors for submission to the shareholders.

Composition

R S Hingley chaired the Remuneration Committee with J Bartle and B R Lakefield being its other members.

Policy for Executive Directors

To attract, motivate and retain high calibre executives by rewarding them with appropriate salary, bonus scheme, benefits and share option packages.

a) *Salary*

Salaries are reviewed annually and the Committee takes account of similar companies in its industry by reference to published information for similar jobs as well as individual performance.

b) *Bonus*

The company operates a discretionary bonus scheme for certain executive directors. The scheme is based on achieving agreed levels of profitability within the part of the Group they are directly involved with. Bonus payments are non-pensionable.

c) *Benefits*

When appropriate, executives are provided with company cars, medical insurance and life assurance.

d) *Pension*

The company pension scheme is available to all executive directors.

e) *Share Options*

There are no share options in existence at the year end.

f) *Service Contracts*

A C Garner has a service contract that is subject to 24 months notice by either party. Given Mr Garner's pivotal role in the business this notice period is considered appropriate. It is the Board's intention, at an appropriate time of the Group's development, to reduce the notice period on this service contract. The Committee reviews each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances taking care to ensure that poor performance is not rewarded.

CONSTELLATION CORPORATION plc

DIRECTORS' REMUNERATION REPORT

Policy for Non-Executive Directors

The Board is responsible for determining the fees payable to non-executive directors. The executive directors seek to advise the Board on the level of fees based on external evidence of fees paid to non-executive directors of similar companies.

Non-executive directors are appointed initially on a fixed two year contract and thereafter on a year to year basis.

Audited information:

Directors' Emoluments

The emoluments of the directors of the company for the year ended 31 December 2002 were as follows:-

	Salary and fees £000	Benefits £000	Compensation for loss of office £000	Pensions £000	Total 31 Dec 2002 £000	31 Dec 2001 £000
Executive Directors						
A C Garner	100	11	-	11	122	83
Non-Executive Directors						
R S Hingley	20	-	-	-	20	-
B R Lakefield	-	-	-	-	-	-
J Bartle	-	-	-	-	-	-
K T Kantor	-	-	-	-	-	-
H R P Thompson	-	-	-	-	-	-
	120	11	-	11	142	83

Certain Directors waived part of their salary entitlements during the year. The amounts waived were as follows:

	31 December 2002 £000	31 December 2001 £000
A C Garner	100	150
R S Hingley	-	20
B R Lakefield	15	15
J Bartle	15	15
K T Kantor	-	15
H R P Thompson	12	20

K T Kantor resigned from the Board on 18 February 2002, and H R P Thomson resigned on 15 August 2002.

CONSTELLATION CORPORATION plc

DIRECTORS' REMUNERATION REPORT

Directors' Interest in Shares and Options

Details of the interests of those directors that held office during the period, all of which are beneficial, in the shares of Constellation Corporation Plc on the dates specified are as follows:-

	31 December 2002 Ordinary Shares of 0.5p Each	31 December 2001 Ordinary Shares of 0.5p Each
A C Garner	301,086,939	301,086,939
R S Hingley	2,000,000	2,000,000
J Bartle	6,000,000	6,000,000
K T Kantor	3,500,000	3,500,000
B R Lakefield	35,000,000	35,000,000
H R P Thompson	15,000,000	15,000,000

K T Kantor resigned from the Board on 18 February 2002, and H R P Thomson resigned on 15 August 2002.

Directors' Interest in Contracts

There were no contracts subsisting at the end of the year in which a director of the company was materially interested.

RSHingley.

R S HINGLEY

Chairman of the Remuneration Committee

30 June 2003

CONSTELLATION CORPORATION plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte
& Touche

AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION CORPORATION plc

We have audited the financial statements of Constellation Corporation plc for the year ended 31 December 2002, which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes numbered 1 to 29, together with the notes to the cashflow statement. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 company is not disclosed.

We read the Directors' Report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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. 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 circumstances of the company, 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 are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited in respect of the results of a subsidiary company which had losses of £219,000 up to the date of its disposal on 15 August 2002, as disclosed in note 3. The results of this subsidiary for the period 1 January 2002 to the date of disposal are based on unaudited management accounts. Upon sale the subsidiary was excluded from the group. Because of the sale and the related difficulties of obtaining information, it was not practicable for the Directors or ourselves to obtain adequate assurance regarding the results of the subsidiary included within the profit and loss account or the proper allocation of the results. There were no other satisfactory audit procedures that we could adopt to verify this allocation of results.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty about going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainty as to the group meeting its trading forecasts. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Deloitte & Touche

AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION CORPORATION plc (CONTINUED)

Qualified opinion arising from limitation of scope

Except for any adjustments required to the disclosure of the profit on disposal, turnover, cost of sales and other administrative expenses in the accounts that might have been found to be necessary had we obtained sufficient information and explanations concerning the results of the subsidiary company before sale, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the management accounts of the subsidiary, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham

30 June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	31 December 2002		31 December 2001	
		£000	£000	£000	£000
TURNOVER					
Continuing operations	2	1,070			1,113
Discontinued operations		273			766
Total turnover			1,343		1,879
Cost of sales	4		(108)		(77)
Gross profit			1,235		1,802
ADMINISTRATIVE EXPENSES:	4				
Abortive costs on potential acquisition			(338)		-
Exceptional write down of goodwill	8		-		(4,460)
Other administrative expenses			(1,790)		(2,841)
			(2,128)		(7,301)
TOTAL OPERATING LOSS					
Continuing operations		(674)		(4,218)	
Discontinued operations		(219)		(1,281)	
Total operating loss	7		(893)		(5,499)
Profit on disposal of discontinued operations			134		-
Interest receivable and similar income	5		-		2
Interest payable and similar charges	6		(99)		(102)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2,7		(858)		(5,599)
Tax on loss on ordinary activities	10		(4)		44
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION			(862)		(5,555)
Minority interests	24		(1)		19
LOSS FOR THE FINANCIAL YEAR			(863)		(5,536)
Dividends	11		(50)		(50)
Other finance charges in respect of non equity shares			-		(67)
RETAINED LOSS FOR THE YEAR			(913)		(5,653)
Loss per share - Basic	12		(0.10p)		(0.63p)
Loss per share - Diluted	12		(0.10p)		(0.61p)

There are no recognised gains and losses other than the loss for the current year and the loss for the preceding financial period. Accordingly, no statement of total recognised gains and losses is given.

CONSTELLATION CORPORATION plc

CONSOLIDATED BALANCE SHEET
31 December 2002

	Notes	31 December 2002		31 December 2001	
		£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	14		1,158		1,726
Tangible assets	15		46		121
			1,204		1,847
CURRENT ASSETS					
Debtors	17	211		564	
Investments	18	-		-	
Cash at bank and in hand		6		97	
		217		661	
CREDITORS: amounts falling due within one year	19	(2,317)		(1,911)	
NET CURRENT LIABILITIES			(2,100)		(1,250)
TOTAL ASSETS LESS CURRENT LIABILITIES			(896)		597
CREDITORS: amounts falling due after more than one year	20		(593)		(1,165)
PROVISIONS FOR LIABILITIES AND CHARGES	21		-		(58)
NET LIABILITIES			(1,489)		(626)
CAPITAL AND RESERVES					
Called up share capital	22		5,066		5,066
Share premium account	23		4,007		4,007
Other reserve	23		589		539
Profit and loss account	23		(11,151)		(10,239)
TOTAL SHAREHOLDERS' FUNDS			(1,489)		(627)
Equity minority interests	24		-		1
			(1,489)		(626)
ANALYSIS OF SHAREHOLDERS' (DEFICIT)/FUNDS					
Equity shareholders' deficit			(2,149)		(1,236)
Non-equity shareholders' funds			660		610
			(1,489)		(626)

These financial statements were approved by the Board of Directors on 30 June 2003.

Signed on behalf of the Board of Directors

A C GARNER
Director

J BARTLE
Director

J. Bartle

CONSTELLATION CORPORATION plc

BALANCE SHEET
31 December 2002

	Notes	31 December 2002		31 December 2001	
		£000	£000	£000	£000
FIXED ASSETS					
Investments	16		1,225		1,751
CURRENT ASSETS					
Debtors	17	558		363	
Cash at bank and in hand		-		1	
		558		364	
CREDITORS: amounts falling due within one year	19	(1,972)		(1,312)	
NET CURRENT LIABILITIES			(1,414)		(948)
TOTAL ASSETS LESS CURRENT LIABILITIES			(189)		803
CREDITORS: amounts falling due after more than one year	20		(593)		(1,139)
NET LIABILITIES			(782)		(336)
CAPITAL AND RESERVES					
Called up share capital	22		5,066		5,066
Share premium account	23		4,007		4,007
Other reserve	23		589		539
Profit and loss account	23		(10,444)		(9,948)
TOTAL SHAREHOLDERS' DEFICIT			(782)		(336)
ANALYSIS OF SHAREHOLDERS' (DEFICIT)/FUNDS					
Equity shareholders' deficit			(1,442)		(946)
Non-equity shareholders' funds			660		610
			(782)		(336)

These financial statements were approved by the Board of Directors on 30 June 2003.

Signed on behalf of the Board of Directors

A C GARNER
Director

J BARTLE
Director

CONSTELLATION CORPORATION plc

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2002

	Notes	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Net cash flow from operating activities	(i)	(104)	(873)
Returns on investment and servicing of finance	(ii)	(99)	(100)
Taxation		(29)	-
Capital expenditure and financial investment	(ii)	-	(16)
Acquisitions and disposals	(ii)	(5)	-
Cash outflow before use of liquid resources and financing		(237)	(989)
Financing	(ii)	147	344
Decrease in net cash in the period		(90)	(645)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Decrease in cash in the period		(90)	(645)
Cash outflow from decrease in debt and lease financing		10	18
Net movement on secured loans		(18)	-
Directors loan advance		(139)	(176)
Changes in net debt resulting from cash flows		(237)	(803)
Net debt at start of period	(iii)	(1,791)	(988)
Net debt at end period	(iii)	(2,028)	(1,791)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2002

(i) RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Operating loss	(893)	(5,499)
Depreciation	39	41
Amortisation	74	4,786
Decrease in debtors	353	107
Increase/(decrease) in creditors	323	(308)
Net cash outflow from operating activities	(104)	(873)

(ii) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Returns on investments and servicing of finance		
Interest received	-	2
Interest paid	(95)	(95)
Interest element of finance lease rental payments	(4)	(7)
Net cash outflow for returns on investments and servicing of finance	(99)	(100)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(16)
Acquisitions and disposals		
Cash payment on disposal of subsidiary	(5)	-
Financing		
Issue of Ordinary share capital	-	186
Loans raised	100	269
Repayment of secured loans	(82)	(280)
Capital element of finance lease rental payments	(10)	(7)
Directors loan advance	139	176
Net cash inflow from financing	147	344

FRS1 requires a summary of the effects of disposals and acquisitions of subsidiary undertakings, indicating how much of the consideration comprised cash. This analysis is provided in note 3 to the accounts. The cash flows attributable to the disposed undertaking are not considered material to the cash flow statement and so are not reported separately.

CONSTELLATION CORPORATION plc

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2002

(iii) ANALYSIS OF NET DEBT

	At 1 January 2002 £000	Cash flow £000	Other non-cash changes £000	At 31 Dec 2002 £000
Cash in hand and at bank	97	(91)	-	6
Bank overdraft	(501)	1	-	(500)
Total for cash at bank and overdraft	(404)	(90)	-	(494)
Debt due within one year	(500)	(100)	-	(600)
Debt due after one year	(675)	82	-	(593)
Finance leases	(36)	10	-	(26)
Directors loan account	(176)	(139)	-	(315)
	(1,791)	(237)	-	(2,028)

(iv) MAJOR NON-CASH TRANSACTIONS

On 17 January 2002, 2,717 0.5p Convertible Preference Shares of 50p were converted to 90,566 Ordinary Shares of 0.5p each.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2002. The results of subsidiaries sold and acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary assets and liabilities that exist at the date of acquisition are recorded at their provisional fair values reflecting their condition at that date.

Basis of preparation of the financial statements

Going Concern

The nature of the Group's business is such that there can be considerable unpredictable variations in trading compared to forecasts. The directors have prepared projected cash flow information for the current financial year and the following two financial years.

On the basis of this cash flow information and discussions with the Group's bankers, the Directors have formed a judgement at the time of approving the financial statements that the Company will be able to work within agreed overdraft facilities. On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis. However, the timings of cash flows may sometimes result in the Group having insufficient facilities to meet its obligations. The financial statements do not include any adjustments that would result from not meeting current forecasts.

Goodwill

Goodwill in respect of acquisitions arising after the introduction of FRS 10 "Goodwill and intangible assets" is shown as an asset and each acquisition is assessed to determine the useful economic life of the business and the goodwill. Goodwill relating to the acquisitions made by the Company is an inseparable part of the total value of the relevant business and such businesses if properly managed, should grow in value over the years and hence neither the value of the business nor the goodwill have a measurable economic life. Where it is considered that the value of the business or its goodwill do have a measurable economic life, the goodwill would be amortised through the profit and loss account by equal annual instalments over such useful economic life.

Goodwill arising from the acquisitions is amortised over 20 years. The Directors consider this to be appropriate given the relatively high barriers of entry to the specialist field of executive search together with their commitment to investing in this business over the long term to sustain value.

The profit or loss on disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

Where the useful economic life does not exceed 20 years, goodwill would be subject to an impairment review at the end of the first full year after acquisition and at any other time if the Directors believe that impairment may have occurred. Where the goodwill is assigned a useful economic life, which is in excess of 20 years or is indefinite, the value of the businesses and goodwill are assessed for impairment against carrying values on an annual basis. Any impairment will be charged to the profit and loss account in the period in which it arises.

1. ACCOUNTING POLICIES (continued)

Pre FRS 10 goodwill has been written off directly to reserves as a matter of accounting policy, where the business to which this relates is subsequently disposed of such goodwill will be charged to the profit and loss account.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned:

Short leasehold property and improvements	- Over the life of the lease on a straight-line basis
Fixtures and fittings	- 25% - 33% per annum on cost
Motor vehicles	- 25% straight line

Financial instruments

Transactions denominated in foreign currency are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate are taken directly to reserves.

Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding within each accounting period. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Deferred taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

FRS19 on Deferred taxation has been adopted in the year, but has had no material effect in the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

Investments

Fixed asset investments are stated at cost less provision for any impairment in value.

Turnover

Turnover represents the VAT exclusive value of services invoiced during the period.

Pensions

The Group operates a number of defined contribution funded pension schemes for the benefit of certain employees. The costs of the pension schemes are charged to the profit and loss account as incurred.

2. SEGMENTAL ANALYSIS

The analysis by class of business of the Group's turnover, (loss)/profit before taxation and net assets is set out below:

	Turnover		(Loss)/profit before tax		Net assets/(liabilities)	
	Year ended 31 Dec 2002 £000	Year ended 31 Dec 2001 £000	Year ended 31 Dec 2002 £000	Year ended 31 Dec 2001 £000	Year ended 31 Dec 2002 £000	Year ended 31 Dec 2001 £000
Class of business						
Continuing operations:						
Executive search	1,070	1,113	(49)	(3,457)	(1,489)	(626)
Discontinued operations:						
Executive search - Asia	273	766	(219)	(1,281)	-	-
	1,343	1,879	(268)	(4,738)	(1,489)	(626)
Corporate central costs			(625)	(761)		
Loss on disposal of discontinued operations			134	-		
Interest payable			(99)	(102)		
Interest receivable			-	2		
			(858)	(5,599)		

	Turnover		(Loss)/profit before tax		Net assets/(liabilities)	
	Year ended 31 Dec 2002 £000	Year ended 31 Dec 2001 £000	Year ended 31 Dec 2002 £000	Year ended 31 Dec 2001 £000	Year ended 31 Dec 2002 £000	Year ended 31 Dec 2001 £000
Geographical analysis by destination						
United Kingdom	1,070	991	(639)	(5,537)	(1,489)	(879)
Europe	-	35	-	-	-	-
Other	273	853	(219)	(62)	-	253
	1,343	1,879	(858)	(5,599)	(1,489)	(626)

Turnover by location is not materially different from turnover by destination.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

3. ACQUISITIONS, DISPOSALS AND GOODWILL

On 15th August 2002, the company disposed of its 75% shareholding in Garner International (Singapore) Pte Limited for consideration of £526,000. The consideration was satisfied by the cancellation of £464,000 deferred consideration and £86,000 intercompany liability. The balance of £25,000 was part settled in cash of £5,000. The remainder was contingent upon the completion of the proposed acquisition. As this acquisition was aborted, the final £20,000 is no longer payable.

4. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	Year ended 31 December 2002			Year ended 31 December 2001		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Turnover	1,070	273	1,343	1,113	766	1,879
Cost of sales	(90)	(18)	(108)	(38)	(39)	(77)
Gross profit	980	255	1,235	1,075	727	1,802
Net operating expenses:						
Abortive costs on potential acquisition	(338)	-	(338)	-	-	-
Exceptional write down of goodwill	-	-	-	(3,243)	(1,217)	(4,460)
Administrative expenses	(1,316)	(474)	(1,790)	(2,050)	(791)	(2,841)
	(1,654)	(474)	(2,128)	(5,293)	(2,008)	(7,301)
Operating loss	(674)	(219)	(893)	(4,218)	(1,281)	(5,499)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Bank deposit interest	-	2
	-	2

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
On bank loans and overdrafts	95	95
On finance leases	4	7
	99	102

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Depreciation and amounts written off tangible fixed assets:		
Owned assets	18	29
Assets held under finance leases	21	12
Amortisation of intangible fixed assets	74	326
Exceptional write down of goodwill (note 8)	-	4,460
Operating lease rentals:		
Land and buildings	152	152
Auditors' remuneration:		
Audit work – Group	11	10
Audit work – Company	6	15
Other services	1	6

8. IMPAIRMENT OF GOODWILL

As required by FRS10, the directors have carried out an impairment review. The results of this review were that no impairment of goodwill was required for 2002. In 2001, there was an exceptional write down of goodwill of £4,460,000.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

9. STAFF COSTS

The average number of full time equivalent persons (including Directors) employed by the Group during the period was as follows:	Year ended 31 December 2002 No.	Year ended 31 December 2001 No.
Sales and related services	5	5
Administration	4	4
	9	9
	£000	£000
Staff costs (for the above persons):		
Wages and salaries	425	705
Social security costs	56	81
Pension costs	11	24
	492	810

The emoluments of the Directors are disclosed as required by the Companies Act 1985 on page 7 in the Report on Remuneration and form part of these financial statements.

10. TAX ON LOSS ON ORDINARY ACTIVITIES

Taxation is based on the loss for the year and comprises:	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
United Kingdom corporation tax at 30% based on loss for the year	-	-
Deferred taxation due to short term timing differences	-	(58)
Overseas taxation	-	14
Adjustment in respect of prior years	4	-
	4	(44)

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Loss on ordinary activities before taxation	(858)	(5,599)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2001: 30%)	(257)	(1,680)
Effects of:		
Expenses not deductible for tax purposes	128	1,499
Depreciation in excess of capital allowances	12	7
Adjustment to losses carried forward	117	130
Adjustments to tax in respect of prior periods	4	-
Current tax charge / (credit) for the year	4	(44)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

10. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The adjustment in respect of prior years relates to the carry back of trading losses within a subsidiary company against profits assessed in prior periods.

11. DIVIDENDS

	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
5p (gross) Convertible Preference shares:		
Paid	-	-
Proposed	-	-
Other finance charges in respect of non-equity shares	50	50
Preference dividends on non-equity shares	50	50

Following the preference dividend paid in April 2000, further dividends on the preference shares became due in October 2000, April 2001, October 2001, April 2002 and October 2002. Given the lack of distributable reserves of the company at these dates, these payments could not legally be made. A reserve has been created for these dividends.

12. BASIC AND DILUTED LOSS/PROFIT PER ORDINARY SHARE

In accordance with FRS 14, loss per ordinary share of 0.100p (2001: loss of 0.63p) has been calculated by dividing the loss on ordinary activities after taxation and non-equity dividends of £913,000 (2001: £5,653,000) by 906,218,320 (2001: 890,251,608), being the weighted average number of ordinary shares in issue and ranking for dividend during the period. There were no preference shares at the year end available for conversion (2001: 35,685,567) and so diluted loss per ordinary share is also 0.100p for 2002 (2001: 0.61p).

13. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the year amounted to £496,000 (2001: loss of £5,370,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

14. INTANGIBLE FIXED ASSETS

Group	Goodwill £000
Cost	
At 1 January 2002	6,629
Disposals	(1,816)
At 31 December 2002	4,813
Amortisation	
At 1 January 2002	4,903
Disposals	(1,316)
Charge for period	68
At 31 December 2002	3,655
Net book value	
At 31 December 2002	1,158
At 1 January 2002	1,726

Goodwill arising from the acquisitions is amortised over 20 years. The Directors consider this to be appropriate given the relatively high barriers of entry to the specialist field of executive search together with their commitment to investing in this business over the long term to sustain value.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

15. TANGIBLE FIXED ASSETS

	Short leasehold property and improvements £000	Fixtures and Fittings £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2002	67	160	48	275
Additions	-	-	55	55
Disposals	(3)	(42)	(55)	(100)
At 31 December 2002	64	118	48	230
Depreciation				
At 1 January 2002	34	106	14	154
Charge for the period	8	10	21	39
Disposals	-	-	(9)	(9)
At 31 December 2002	42	116	26	184
Net book value				
At 31 December 2002	22	2	22	46
At 31 December 2001	33	54	34	121

Included within tangible fixed assets are assets with a net book value of £22,000 (2001: £34,000) held under finance leases.

The Group had no capital commitments as at 31 December 2002 (2001: £Nil).

16. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £000
Cost	
At 1 January 2002	6,743
Disposals	(526)
At 31 December 2002	6,217
Provision for impairment	
At 1 January 2002 and 31 December 2002	4,992
Net book value	
At 31 December 2002	1,225
At 31 December 2001	1,751

Principal Group investments

	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the company
Garner International Limited	England and Wales	Executive search and selection	100% ordinary shares

17. DEBTORS

	Group		Company	
Amounts due within one year	**2002 £000**	**2001 £000**	**2002 £000**	**2001 £000**
Trade debtors	163	388	-	-
Amounts owed by group undertakings	-	-	527	342
Other debtors	31	167	31	21
Prepayments and accrued income	17	9	-	-
	211	564	558	363

18. CURRENT ASSET INVESTMENTS

GROUP	**Unquoted investments £000**
Cost	
At 1 January 2002	50
Disposal	-
At 31 December 2002	50
Provision	
At 31 December 2002 and 2001	50
Net book value	
At 31 December 2002	-
At 31 December 2001	-

The Group holds 100% of the preference share capital of Trac Communications Limited, a company incorporated in England and Wales. The Directors estimate the value of this investment to be £Nil (2001: £Nil). The shares are convertible on the request of the Company into ordinary shares representing 16% of the equity capital of Trac Communications Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank loans and overdraft (note 28)	1,100	1,001	1,100	1,001
Due under finance leases	26	10	-	-
Trade creditors	515	281	350	77
Due to group undertakings	-	-	25	25
Corporation tax payable	42	127	-	-
Other taxation and social security	99	75	-	-
Other creditors	10	33	-	-
Directors loan account	317	176	317	176
Accruals	208	208	180	33
	2,317	1,911	1,972	1,312

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

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank loans	593	675	593	675
Obligations under finance leases between two and five years	-	26	-	-
Deferred consideration	-	464	-	464
	593	1,165	593	1,139

A maturity analysis of the above borrowings and further details of bank loans, debentures and other loans are given in note 28.

The bank loans relate to advances from Lloyds TSB plc. The loans incur interest at 2% per annum above bank base rate. The loans together with the overdraft, are secured by a letter of set off and guarantee between the bank, the Company and Garner International Limited over all assets.

21. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £000	Company £000
Deferred taxation		
Balance at 1 January 2002	58	-
Movement in year	(58)	-
	-	-

A deferred tax asset has not been recognised in respect of the losses, capital allowances and short-term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £3,388,501. The asset would be recoverable if taxable profits arose in the Group in the future against which the assets will crystallise.

22. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised:		
1,500,000,000 (2000: 1,500,000,000) Ordinary shares of 0.5p each	7,500	7,500
1,745,226 5p (gross) Convertible Preference shares of 50p each	873	873
	8,373	8,373
Allotted and fully paid:		
906,218,320 (2001: 906,218,320) Ordinary shares of 0.5p each	4,531	4,531
1,070,567 (2001: 1,070,567) 5p (gross) Convertible Preference shares of 50p each	535	535
	5,066	5,066

Warrants

On 6 November 2000 Insinger Townsley were issued with a warrant to subscribe for 15,000,000 Ordinary Shares exercisable at the placing price within two years of that date. This warrant has now lapsed.

5p (gross) Convertible Preference shares

The Convertible Preference shares carry the right to a fixed cumulative preferential dividend of 5p (gross) per annum payable half yearly on 30 April and 31 October in each year in respect of the previous half year.

On a return of capital on a winding-up, the holders of the Convertible Preference shares will have a preferential right to repayment of 100p per share and all arrears of fixed cumulative dividend but will have no right to participate in any surplus.

The holders of the Convertible Preference shares will have the right to receive notice of and attend General Meetings of the Company, but will only be entitled to vote thereat if their fixed cumulative preferential dividend is six months or more in arrears, or if Convertible Preference shares required to be redeemed by the Company have not been redeemed, or if a receiver or administrative receiver to the Company has been appointed, or on a resolution of abrogating, varying or modifying any of their class rights or privileges or for the winding-up of the Company.

The Convertible Preference shares may be converted into fully paid Ordinary shares of 0.5p each in the Company on the basis of 100 Ordinary shares for every £1.50 in nominal amount of Convertible Preference share capital by the holder giving notice to the Company at any time during the period of 28 days prior to 31 December in the year 1997 or in any of the following years up to and including 2002.

22. CALLED UP SHARE CAPITAL (continued)

The Company should have redeemed any unconverted Convertible Preference shares on 31 January 2003. The amount payable on redemption would have been the sum of 100p for each 50p share plus any arrears or accruals of the fixed dividend thereon. The Company had insufficient distributable reserves at this time and therefore no redemption was possible. The conversion period has now expired and so the Convertible Preference shares are no longer convertible.

23. SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2002	4,007	539	(10,239)	(5,693)
Loss for the period	-	-	(913)	(913)
Reserve for finance charges	-	50	-	50
At 31 December 2002	4,007	589	(11,152)	(6,556)

The cumulative amount of goodwill from pre 27 July 1997 acquisitions which has been written off to Group reserves, after deducting goodwill attributable to subsidiary undertakings disposed of is £411,000 (2001: £411,000).

Company	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2002	4,007	539	(9,948)	(5,402)
Loss for the period	-	-	(496)	(496)
Reserve for finance charges	-	50	-	50
At 31 December 2002	4,007	589	(10,444)	(5,848)

24. MINORITY INTERESTS

	Garner International (Singapore) Limited £000
At 1 January 2002	1
Dividend paid	-
Profit and loss account	(1)
Equity minority interests at 31 December 2002	-

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Loss for the financial period	(863)	(5,536)
Dividends and finance charges in respect of non-equity shares	(50)	(117)
	(913)	(5,653)
Issue of shares	-	187
Creation of other reserve for finance charges on non-equity shares	50	117
Net addition to/(reduction in) shareholders' funds	(863)	(5,349)
Opening shareholders' (deficit)/ funds	(626)	4,723
Closing shareholders' deficit	(1,489)	(626)

26. COMMITMENTS

Operating leases

At 31 December 2002, the Group had annual commitments under non-cancellable operating leases which expire as follows:

	Land and buildings	
	2002 £000	2001 £000
Between two and five years	152	152

27. PENSION COSTS

The Group operated several defined contribution pension schemes for the retail business. The assets of the schemes were held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and amounts to £11,000 (2001: £24,000).

28. FINANCIAL INSTRUMENTS

Derivatives and other financial instruments

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has not entered into any derivative transactions in the year. The Group does not trade in financial instruments.

The Group has taken advantage of the exemptions available under Financial Reporting Standard No. 13 not to provide numerical disclosures in relation to short-term debtors and creditors.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances operations through bank borrowings and finance leases. At the year-end all of the Group's bank borrowings were at floating rates of interest. It is the Group's policy to have all borrowings at a floating rate of interest and this policy is reviewed periodically to ensure it is appropriate.

Liquidity risk

The Group's policy is to retain a balance between short-term flexibility, achieved through overdraft facilities, and longer term planning through longer-term instalment debt. At the year-end, 30% of bank borrowings were overdrafts.

The maturity profile of the Group's financial liabilities is given below.

Currency risk

The Group's policy is not to hedge transactions, and buy and sell currency at spot rate where applicable. Each company has assets and liabilities in its native currency only.

Financial assets:

£6,000 (2001: £97,000) of cash at bank and in hand is held in the Group, all denominated in Sterling (2001: £49,000 held in Sterling; £48,000 held in Singapore dollars).

All financial assets attract interest at floating rates, and are based on national bank offering rates.

28. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

MATURITY PROFILE OF FINANCIAL LIABILITIES

	Group		Company	
Analysis of loan repayments	**2002 £000**	**2001 £000**	**2002 £000**	**2001 £000**
Bank loans and overdrafts:				
In one year or less or on demand	1,100	1,001	1,100	1,001
In more than one year but not more than two years	300	300	300	300
In more than two years but not more than five years	293	375	293	375
Debentures and other loans:				
In one year or less or on demand	-	10	-	-
In more than one year but not more than two years	26	26	-	-
Non equity shares:				
In more than one year but not more than two years (see below)	-	607	-	607
Other (see below)	317	640	317	640
	2,036	2,959	2,010	2,923

Also included within financial liabilities at 31 December 2001 was a deferred consideration balance of £464,000 and directors loan account of £176,000. The deferred consideration liability was satisfied by the post year end disposal of a subsidiary company.

The Group had no undrawn committed borrowing facilities at the year end.

INTEREST RATE PROFILE

The interest rate profile of the Group's financial liabilities was:

		2002 £000	2001 £000
Floating rate financial liabilities		1,693	1,676
Fixed rate financial liabilities		26	36
Non interest bearing financial liabilities	- non equity shares	-	607
	- deferred consideration	-	464
	- directors loan account	317	176
		2,036	2,959

Floating rate liabilities represent bank borrowings, overdrafts and a loan note that bear interest at 2.0% above the base rate and LIBOR. Fixed rate financial liabilities represent finance leases, which have weighted average interest rate of 8% (2001: 8%) over a weighted average period of 0.9 years (2001: 1.9 years), and non-equity shares, details of which are given in note 22.

All of the financial instruments are held in the UK in Sterling, except for £48,000 of cash in 2001 which was held in Singapore Dollars.

28. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of book values and fair values of the Group's financial liabilities which, are all denominated in sterling:

	2002		2001	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Bank overdraft	500	500	501	501
Bank loan	1,193	1,193	1,175	1,175
Finance leases	26	26	36	36
Directors loan	317	317	176	176
	2,036	2,036	1,888	1,888
Non-equity share redemption value	-	-	1,071	1,071
	2,036	2,036	2,959	2,959

The fair value of cash at bank and in hand is not materially different from its book value.

29. RELATED PARTY TRANSACTIONS

During the year A C Garner lent the company an additional £116,000, J Bartle lent the company £13,000 and R S Hingley lent the company £12,000. Balances on these loan accounts at the year end were: A C Garner £292,000, J Bartle £13,000 and R S Hingley £12,000. These loans are non interest bearing and at the Balance Sheet date there were no agreed repayment terms for them.

During the year, the Company obtained acquisitions advisory services of £48,000 from Anderson Barrowcliff where R G Robinson is a partner. This amount was outstanding at the Balance Sheet date.

CONSTELLATION CORPORATION Plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 65th Annual General Meeting of Constellation Corporation Plc will be held at the registered office of the company 6 Derby Street, London, W1J 7AD at 10.30am on 27th August 2003 for the following purposes:

1 To receive and adopt the statement of accounts of the Company for the year ended 31st December 2002 together with the reports of the Directors and Auditors thereon.

2 To re-elect AC Garner as a Director.

3 To re-elect BR Lakefield as a Director.

4 To elect RG Robinson as a Director.

5 To appoint Messrs, Deloitte & Touche LLP as Auditors to act as such until the conclusion of the next Annual General Meeting of the Company at which the requirements of Section 241 (1) of the Companies Act 1985 will be compiled with and to authorise the Directors of the Company to fix their remuneration.

As special business to consider the following Resolutions, resolutions 4 being proposed as an Ordinary Resolution and Resolution 5 as a Special Resolution.

6 That the authority conferred on the Directors of the Company at the last Annual General Meeting of the Company held on 27th November 2002 to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £1,510,363 (representing one-third of the Company's issued share capital) be varied and is hereby extended for a period expiring on whichever is the earlier of the conclusions of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution unless such authority is renewed, varied, or revoked by the Company in general meeting save that the Company may at any time before such expiry make an offer of agreement which might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

7 That the power conferred on the Directors of the Company at the last Annual General meeting of the Company held on 27th November 2002 to allot equity securities for cash of up to £679,662 (representing 15 per cent of the Company's share capital) as if Section 89 (1) of the Act did not apply and is hereby extended for a period expiring on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution unless such a power is renewed or extended prior to or at such meeting except that the Company may before the expiry of any power contained in this Resolution 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 offer or agreement as if the power conferred hereby had not expired.

Registered office:	By order of the Board:
6 Derby Street	R G Robinson R.G.Robinson
London	Secretary
W1J 7AD	30 June 2003

Notes:

1 A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

2 Copies of Directors' contracts of service and the register of Directors' interests in the shares of the company are available for inspection at the Registered Office during normal business hours (Saturday and Sundays excepted), until the Meeting and at the Meeting.