

SPEARHEAD EXHIBITIONS LIMITED

Report and Financial Statements

31 August 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C P L Marke
R D Munton
S Crouch
D Hartley-Leonard
I R Branson
K Papadimitriou

SECRETARY

C P L Marke

REGISTERED OFFICE

Ocean House
50 Kingston Road
New Malden
Surrey KT3 3LZ

BANKERS

HSBC
54 Clarence Street
Kingston
Surrey KT1 1NS

SOLICITORS

Gregory, Rowcliffe & Milners
1 Bedford Row
London WC1R 4BZ

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 August 1999.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £931,644 (1998 - £917,360 profit). No dividend is recommended (1998 - £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company and group throughout the year was, and will continue to be, the organisation of exhibitions.

The results for the year were in line with forecasts and prospects for the future are good. The loss for the year reflects the timing of the group's exhibitions.

YEAR 2000 ISSUES

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year were as follows:

D C C Stott	(resigned 31 December 1999)
C P L Marke	
R D Munton	
S Crouch	
J E W d'Ancona	(resigned 29 January 1999)
D Hartley-Leonnard	
I R Branson	(appointed 1 September 1998)
K Papadimitriou	(appointed 28 January 1999)

None of the directors held any beneficial interest in the shares of the company.

AUDITORS

A resolution to reappoint Deloitte & Touche as auditors will be put to the members at the Annual General Meeting.

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



Secretary

19 May 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year 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;
- 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 the group 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 company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SPEARHEAD EXHIBITIONS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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. 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 company's and 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and of the group's affairs as at 31 August 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

26 May 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 August 1999

	Note	1999 £	1998 £
TURNOVER: group and share of joint venture – continuing operations		2,865,086	7,836,079
Less: share of joint venture's turnover	2	-	(2,106,310)
GROUP TURNOVER	2	2,865,086	5,729,769
Cost of sales		(1,730,746)	(3,073,220)
Gross profit		1,134,340	2,656,549
Operating expenses		(2,260,834)	(2,175,814)
GROUP OPERATING (LOSS)/PROFIT	3	(1,126,494)	480,735
Share of operating (loss)/profit in joint venture		(158,912)	632,442
TOTAL OPERATING (LOSS)/PROFIT		(1,285,406)	1,113,177
Interest receivable			
Group	6	23,136	92,927
Joint venture	6	35,408	22,941
Interest payable (group)	7	(206)	(18,744)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,227,068)	1,210,301
Taxation (group)	8	295,424	(292,941)
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR	20	(931,644)	917,360

There were no recognised gains or losses other than the loss retained for the year (1998 – profit).

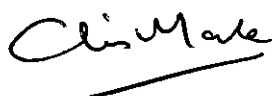
CONSOLIDATED BALANCE SHEET

31 August 1999

	Note	1999 £	1999 £	1998 £	1998 £
FIXED ASSETS					
Tangible assets	9		265,096		224,492
CURRENT ASSETS					
Work in progress	12		1,988,940		329,983
Debtors	13		4,831,689		1,879,982
Cash at bank and in hand	14		963,307		85,000
			7,783,936		2,294,965
CREDITORS: amounts falling due within one year	15		(7,673,963)		1,332,158
NET CURRENT ASSETS			109,973		962,807
TOTAL ASSETS LESS CURRENT LIABILITIES			375,069		1,187,299
CREDITORS: amounts falling due after more than one year	16		-		(4,091)
SHARE OF NET LIABILITIES OF JOINT VENTURE					
Share of gross assets	11	2,116,170		34,260	
Share of gross liabilities		(2,306,998)		(101,523)	
			(190,828)		(67,323)
NET ASSETS			184,241		1,115,885
CAPITAL AND RESERVES					
Called up share capital	18		10,526		10,526
Share premium account	20		19,473		19,473
Profit and loss account	20		154,242		1,085,886
SHAREHOLDERS' FUNDS			184,241		1,115,885

These financial statements were approved by the Board of Directors on 19 May 2000.

Signed on behalf of the Board of Directors



Director

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	9	265,096	224,492
Investments	10	1,054	1,054
		<u>266,150</u>	<u>225,546</u>
CURRENT ASSETS			
Work in progress	12	259,608	188,176
Debtors	13	4,971,977	2,902,425
Cash at bank and in hand		887,398	83,636
		<u>6,118,983</u>	<u>3,174,237</u>
CREDITORS: amounts falling due within one year	15	(5,190,534)	1,649,580
NET CURRENT ASSETS		<u>928,449</u>	<u>1,524,657</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,194,599	1,750,203
CREDITORS: amounts falling due after more than one year	16	-	4,091
NET ASSETS		<u>1,194,599</u>	<u>1,746,112</u>
CAPITAL AND RESERVES			
Called up share capital	18	10,526	10,526
Share premium account	20	19,473	19,473
Profit and loss account	20	1,164,600	1,716,113
SHAREHOLDERS' FUNDS		<u>1,194,599</u>	<u>1,746,112</u>

Chris M. M. M.
Director

CONSOLIDATED CASH FLOW STATEMENT **Year ended 31 August 1999**

	Note	1999 £	1998 £
Net cash inflow /(outflow) from operating activities	18	1,041,002	(830,364)
Dividends received from joint ventures and associates			
Distribution from joint venture partnership		163,245	748,766
Returns on investments and servicing of finance			
Interest paid		-	(16,387)
Interest received		23,136	92,927
Interest element of finance lease rental payments		(206)	(2,357)
Net cash inflow from returns on investments and servicing of finance		22,930	74,183
Taxation			
UK corporation tax (paid)/recovered		(99,324)	148,444
Capital expenditure			
Payments to acquire tangible fixed assets		(146,819)	(165,362)
Receipts from sale of tangible fixed assets		4,850	-
Net cash outflow from capital expenditure		(141,969)	(165,362)
Net cash inflow /(outflow) before financing		985,884	(24,333)
Financing			
Capital element of finance lease rental payments		(8,857)	(20,309)
Increase/(decrease) in cash		977,027	(44,642)

Reconciliation of net cash flow to movement in net (debt)/funds

	Note	1999 £	1998 £
Increase/(decrease) in cash		977,027	(44,642)
Cash outflow from decrease in lease financing		8,857	20,309
Change in net (debt)/funds resulting from cash flows		985,884	(24,333)
New finance leases		-	(11,495)
Movement in net (debt)/funds in the year		985,884	(35,828)
Net funds/(debt) at beginning of the year		(26,499)	9,329
Net funds/(debt) at end of the year	14	959,385	(26,499)

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the applicable accounting standards. The particular accounting policies are described below.

Basis of preparation

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The group accounts consolidate the accounts of Spearhead Exhibitions Limited and all its subsidiaries drawn up to 31 August each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985. The loss for the year for the company was £551,513 (1998 – profit £653,185).

Investments

Investments are stated at cost in the company's balance sheet less, if any, provision for impairment in value.

Shares in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of pre-tax profits and attributable taxation of joint ventures. In the consolidated balance sheet, the investment, in joint ventures is shown as the Group's share of net assets or liabilities of joint ventures.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Motor vehicles	-	25% per annum
Office equipment	-	25% per annum
Office furniture	-	20% per annum
Leasehold improvements	-	20% per annum

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated that the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a discretionary, non-contributory money purchase pension scheme for certain directors. Such contributions are held in trustee administered funds completely independent of the company's assets. The contributions made by the company are charged to the profit and loss account as the amounts become payable.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred which relate to exhibitions held subsequent to the balance sheet date.

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

2. TURNOVER

Turnover is stated net of VAT and is attributable to the one principal activity of the group, that of the organisation of exhibitions, which is continuing. The joint venture turnover of £nil, (1998 - £2,106,310) arises wholly in the UK. The geographical analysis of group turnover is as follows:

	1999 £	1998 £
United Kingdom	493,375	4,106,684
Outside Europe	1,536,455	1,623,085
	<u>2,865,086</u>	<u>5,729,769</u>

3. GROUP OPERATING (LOSS)/PROFIT

This is stated after charging:

	1999 £	1998 £
Auditors' remuneration	20,000	15,000
Depreciation of owned tangible fixed assets	90,261	59,594
Depreciation of assets held under finance leases and hire purchase contracts	14,117	22,726
Operating lease rentals - equipment	18,940	10,864
- land and buildings	125,952	74,750
	<u>269,270</u>	<u>183,934</u>

4. STAFF COSTS

	1999 £	1998 £
Wages and salaries	1,064,402	1,042,568
Social security costs	106,439	109,199
Pension costs	800	18,000
	<u>1,171,641</u>	<u>1,169,767</u>

The average weekly number of employees during the year was 43 (1998 - 31).

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

5. DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments (including benefits)	273,367	460,440
Company contributions paid to money purchase pension scheme	-	15,000
	<u>273,367</u>	<u>475,440</u>
	No.	No.
Members of defined contribution scheme	<u>1</u>	<u>1</u>
	£	£
Highest paid director	<u>75,401</u>	<u>132,025</u>

6. INTEREST RECEIVABLE

Group	1999 £	1998 £
Interest receivable from parent undertakings	-	81,098
Bank interest receivable	23,136	11,202
Other interest	-	627
	<u>23,136</u>	<u>92,927</u>

Joint venture interest receivable of £35,408 (1998 - £22,941) all relates to bank interest receivable.

7. INTEREST PAYABLE AND SIMILAR CHARGES

Group	1999 £	1998 £
Finance leases and hire purchase contracts	206	2,357
Bank overdraft	-	16,387
	<u>206</u>	<u>18,744</u>

8. TAXATION

Group	1999 £	1998 £
The taxation (charge)/credit is made up as follows:		
UK Corporation tax at 30.6% (1998 - 31%) based on the (loss)/profit for the year	338,809	(367,776)
Adjustments in respect of previous years	(43,385)	74,835
	<u>295,424</u>	<u>(292,941)</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

9. TANGIBLE FIXED ASSETS

Group and company	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Total £
Cost:				
At 1 September 1998	78,899	318,599	121,623	519,121
Additions	4,679	134,557	7,583	146,819
Disposals	-	-	(9,800)	(9,800)
At 31 August 1999	83,578	453,156	119,406	656,140
Depreciation:				
At 1 September 1998	52,448	136,237	105,944	294,629
Charge for the year	12,919	80,215	11,244	104,378
Disposals	-	-	(7,963)	(7,963)
At 31 August 1999	65,367	216,452	109,225	391,044
Net book value				
At 31 August 1999	18,211	236,704	10,181	265,096
At 31 August 1998	26,451	182,362	15,679	224,492

Included in the amounts above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

	Furniture and Equipment £	Motor vehicles £	Total £
Cost:			
At 1 September 1998	11,495	121,623	133,118
Additions	-	7,584	7,584
Disposals	-	(9,800)	(9,800)
At 31 August 1999	11,495	119,407	130,902
Depreciation:			
At 1 September 1998	2,873	105,944	108,817
Charge for the year	2,873	11,244	14,117
Disposals	-	(7,963)	(7,963)
At 31 August 1999	5,746	109,225	114,971
Net book value			
At 31 August 1999	5,749	10,182	15,931
At 31 August 1998	8,622	15,679	24,301

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

10. INVESTMENTS

Company	Subsidiary undertakings £
Cost:	
At 1 September 1998 and 31 August 1999	<u>1,054</u>

Details of the investments in which the group or the company holds more than 20% of the nominal value of any class of share capital are as follows:

Name of company	Holding	Nature of business
Subsidiary undertakings		
Spearhead (Offshore Europe) Limited	100%	Partnership interest
Offshore Europe (Management) Limited	100%	Management services
Imdex Asia Limited	50%	Exhibition organiser
Defence Systems Equipment International Limited	100%	Exhibition organiser

Others

Aberdeen Exhibition and Conference Centre Limited	25%	Conference Centre
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All the above companies are registered in England and Wales, except for Aberdeen Exhibition and Conference Centre Limited which is registered in Scotland.

The company has a 25% (1998 - 25%) holding in Aberdeen Exhibition and Conference Centre Limited ('AECC'), whose principal activity is the provision of buildings for conferences, exhibitions and other events in Aberdeen. These activities are all located in a purpose built centre in the Bridge of Don area of Aberdeen. The cost of this investment was £350,000 and has been written down to £nil. Although the company holds more than 20% of the issued share capital of AECC the group is not able to exercise significant influence over this investment and accordingly it is not accounted for as an associate.

11. JOINT VENTURE

A subsidiary of the company holds a 50% interest in the Offshore Europe partnership which operates the Offshore Europe Exhibition every other year. The partnership was valued at £600,000 in April 1989. The historical cost of the investment is £nil. The partnership prepares financial statements every two years and the next accounting period end will be 31 March 2000.

For the year ended 31 August 1999 the partnership had losses before and after taxation of £247,008 (1998 - profit £1,310,764). The assets and liabilities of the partnership as at the 31 August 1999 were as follows:

	1999 £	1998 £
Current assets	4,232,339	34,200
Liabilities due within one year	<u>(4,613,996)</u>	<u>(101,523)</u>
	<u>(381,657)</u>	<u>(67,323)</u>

NOTES TO THE ACCOUNTS
Year ended 31 August 1999

12. WORK IN PROGRESS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Costs in respect of future exhibitions	1,998,940	329,983	259,608	188,176

13. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	1,461,521	254,603	760,642	174,989
Amounts owed by parent undertakings	2,885,214	1,348,975	2,885,214	1,348,975
Amounts owed by subsidiary undertakings	-	-	977,626	1,112,321
Amounts owed by joint venture	35,051	198,295	35,051	198,295
Corporation tax recoverable	349,925	10,264	235,756	-
Other debtors	59,139	42,012	36,849	42,012
Prepayments and accrued income	40,839	25,833	40,839	25,833
	4,831,689	1,879,982	4,971,977	2,902,425

Included in amounts owed by subsidiary undertakings to the company is an amount of £600,000 for which there are no formal repayment terms. However, the directors have agreed not to require repayment of this amount earlier than twelve months from the date of approval of these accounts.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdraft	-	98,720	-	98,720
Amount owed to parent undertakings	90,600	90,000	90,600	90,000
Trade creditors	321,462	102,368	254,623	102,368
Amounts owed to subsidiary undertakings	-	-	2,701,122	528,900
Corporation tax	302,012	367,775	273,510	267,412
Social security and other taxes	53,537	26,564	53,537	26,564
Other creditors	158,252	56,262	37,984	31,928
Amount owed to associated undertakings	58,542	-	58,542	-
Obligations under finance leases and hire purchase contracts	3,922	8,688	3,922	8,688
Accruals and deferred income	6,615,636	511,781	1,646,694	425,000
Proposed dividend	70,000	70,000	70,000	70,000
	7,673,963	1,332,158	5,190,534	1,649,580

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

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

	1999	1998
Group and company	£	£
Obligations under finance leases and hire purchase contracts	-	4,091
Amounts falling due:		
Between two and five years	-	4,091

16. OTHER FINANCIAL OBLIGATIONS

At 31 August 1999 the group and company had annual commitments under operating leases as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Operating leases which expire:				
Within one year	30,175	15,583	-	-
Between two and five years	-	10,800	14,325	10,864
After five years	59,491	53,950	-	-
	89,666	80,333	14,325	10,864

17. CALLED UP SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	1999	1998
	£	£
Ordinary share of £1 each	10,526	10,526

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

	1999	1998
	£	£
Total operating (loss)/profit	(1,285,406)	1,113,177
Share of operating loss/(profit) in joint venture	158,912	(632,442)
Depreciation	104,378	82,320
(Gain)/Loss on sale of tangible fixed assets	(3,013)	14,423
(Increase)/decrease in work in progress	(1,658,957)	304,713
(Increase)/decrease in debtors	(2,775,290)	1,041,980
Increase/(decrease) in creditors	6,500,378	(2,754,535)
Net cash inflow/(outflow) from operating activities	1,041,002	(830,364)

NOTES TO THE ACCOUNTS
Year ended 31 August 1999

19. ANALYSIS OF NET DEBT

	At 1 September 1998 £	Cash flow £	Other £	At 31 August 1999 £
Cash at bank and in hand	85,000	878,308	-	963,307
Overdraft	(98,720)	98,720	-	-
	(13,720)	977,027	-	963,307
Finance lease obligations	(12,779)	8,857	-	(3,922)
	(26,499)	985,884	-	959,385

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group	Share capital £	Share premium account £	Profit and loss account £	Total £
At 1 September 1998	10,526	19,473	1,085,886	1,115,885
Loss for the year	-	-	(931,644)	(931,644)
At 31 August 1999	10,526	19,473	154,242	184,241

Company	Share capital £	Share premium account £	Profit and loss account £	Total £
At 1 September 1998	10,526	19,473	1,716,113	1,746,112
Loss for the year	-	-	(551,513)	(551,513)
At 31 August 1999	10,526	19,473	1,164,600	1,194,599

NOTES TO THE ACCOUNTS**Year ended 31 August 1999****21. CONTINGENT LIABILITIES**

The company has guaranteed the liabilities due by Spearhead (Offshore Europe) Limited to another company under a partnership arrangement between those two companies. There were no liabilities due under these arrangements at 31 August 1999.

The First National Bank of Maryland holds charges over the property and other assets of the company in support of loans made to the company's ultimate parent company, PGI Inc. At 31 August 1999 there were £597,000 of these loans outstanding.

22. RELATED PARTIES AND ULTIMATE PARENT UNDERTAKING

The company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8 not to disclose transactions with companies within the Spearhead Exhibitions Limited group which are related parties.

The company's ultimate parent undertaking and controlling party is PGI Inc., which is incorporated in the USA. Copies of the PGI Inc. consolidated accounts can be obtained from Production Group International, 2200 Wilson Boulevard, Suite 500, Arlington, Virginia 22201, USA.

The company has made advances to PGI Europe Limited, its immediate parent undertaking. The company did not charge interest on these advances in the year ended 31 August 1999. In the year ended 31 August 1998 the company charged interest of 7.5% on amounts advanced. The total balance receivable, including rolled up interest, at 31 August 1999 was £ 350,304 (1998 - £349,843). Also included within debtors at 31 August 1999 are balances receivable from PGI Europe Limited of £609,586 (1998-nil). PGI Europe Limited made a management charge of £ nil (1998 - £20,000) to Spearhead Exhibitions Limited during the year.

The company has also made advances to PGI Inc, its ultimate parent undertaking. The company did not charge interest on these advances in the year ended 31 August 1999. In the year ended 31 August 1998 the company charged interest of 7.5% on amounts advanced. The total balance receivable, including rolled up interest, at 31 August 1999 was £ 1,925,324 (1998 - £999,132). Included within operating expenses are management charges of £229,673 (1998 - £240,000) from PGI Inc.