

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**Report and Financial Statements**

**31 August 2001**

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



**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**REPORT AND FINANCIAL STATEMENTS 2001**

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**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**SECRETARY**

C P L Marke

**REGISTERED OFFICE**

Coombe Hill House  
Beverley Way  
London SW20 0AR

**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

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**DIRECTORS' REPORT**

The directors present their report and the group financial statements for the year ended 31 August 2001.

**RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £2,066,829 (2000 – £498,360 loss). No dividend is recommended (2000 – £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, although disappointing, were partially as a result of the cyclical nature of the exhibitions and the cost of an office move. There has been an improvement in the trading position since the year end and the directors are confident of a satisfactory result for the current year.

**CHANGE OF NAME**

On 17 August 2000, the company changed its name to PGI Spearhead Limited.

**DIRECTORS AND THEIR INTERESTS**

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

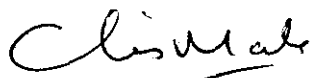
C P L Marke  
R D Munton  
S Crouch  
D Hartley-Leonnard  
I R Branson  
K Papadimitriou  
K Marriott  
J Albury (resigned 31 July 2001)  
B Gill  
C Engel

None of the directors held any beneficial interests in the shares of the company or in shares of any group 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



C P L Marke

Secretary  
13 December 2001

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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; and
- 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 the system of internal control, 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **PGI SPEARHEAD LIMITED**

**(formerly Spearhead Exhibitions Limited)**

We have audited the financial statements of PGI Spearhead Limited for the year ended 31 August 2001 which comprise the group profit and loss account, the group balance sheet, the company balance sheet, the cashflow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

#### **Basis of audit 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 company'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.

#### *Going Concern*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts, concerning the uncertainty of the future financing of the company. 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.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs as at 31 August 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*  
Deloitte & Touche

Chartered Accountants and Registered Auditors

**Deloitte  
Touche  
Tohmatsu**

*13 December 2001*  
Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 August 2001**

	Note	2001 £	2000 £
<b>TURNOVER: group and share of joint venture: continuing operations</b>		2,372,512	10,782,033
Less: share of joint venture's turnover		-	(2,265,247)
<b>GROUP TURNOVER</b>	2	2,372,512	8,516,786
Cost of sales		(1,643,645)	(6,262,532)
Gross profit		728,867	2,254,254
Administration expenses		(3,463,658)	(3,523,086)
<b>GROUP OPERATING LOSS: continuing operations</b>	3	(2,734,791)	(1,268,832)
Share of operating (loss)/profit in joint venture		(164,977)	762,814
<b>TOTAL OPERATING LOSS</b>		(2,899,768)	(506,018)
Profit on disposal of subsidiary	9, 17	832,939	-
Interest receivable			
Group	6	-	7,658
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2,066,829)	(498,360)
Taxation on the loss for the year	7	-	-
<b>LOSS RETAINED FOR THE FINANCIAL YEAR</b>	18	(2,066,829)	(498,360)

There are no recognised gains or losses or movements in shareholders' funds other than the loss for the current year and the preceding year. Accordingly no statement of total recognised gains and losses or reconciliation of movements in shareholders' funds is given.

**PGI SPEARHEAD LIMITED**  
(formerly Spearhead Exhibitions Limited)

**CONSOLIDATED BALANCE SHEET**  
**31 August 2001**

	Note	£	2001 £	£	2000 £
<b>FIXED ASSETS</b>					
Tangible assets	8		59,185		410,919
<b>CURRENT ASSETS</b>					
Work in progress	10		2,686,070		640,595
Debtors	11		5,107,269		4,708,200
Cash at bank and in hand			1,401,697		47,962
			9,195,036		5,396,757
<b>CREDITORS: amounts falling due</b>					
Within one year	12		(11,295,784)		(5,862,365)
<b>NET CURRENT LIABILITIES</b>			(2,100,748)		(465,608)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(2,041,563)		(54,689)
<b>SHARE OF NET LIABILITIES OF JOINT VENTURE</b>					
Share of gross assets	9	1,813,542		41,857	
Share of gross liabilities		(2,152,927)		(301,287)	
			(339,385)		(259,430)
<b>NET LIABILITIES</b>			(2,380,948)		(314,119)
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		10,526		10,526
Share premium account	18		19,473		19,473
Profit and loss account	18		(2,410,947)		(344,118)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>			(2,380,948)		(314,119)

These financial statements were approved by the Board of Directors on 13 December 2001.

Signed on behalf of the Board of Directors



C P L Marke

Director



**PGI SPEARHEAD LIMITED**  
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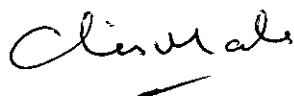
**BALANCE SHEET**  
**31 August 2001**

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	8	59,185	410,919
Investments	9	1,004	1,054
		<u>60,189</u>	<u>411,973</u>
<b>CURRENT ASSETS</b>			
Work in progress	10	2,686,070	547,509
Debtors	11	5,651,630	5,237,928
Cash at bank and in hand		1,401,700	41,158
		<u>9,739,400</u>	<u>5,826,595</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(12,088,617)	(6,539,117)
<b>NET CURRENT LIABILITIES</b>		<u>(2,349,917)</u>	<u>(712,522)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(2,289,028)</u>	<u>(300,549)</u>
<b>NET LIABILITIES</b>		<u>(2,289,028)</u>	<u>(300,549)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	10,526	10,526
Share premium account	18	19,473	19,473
Profit and loss account	18	(2,319,027)	(330,548)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(2,289,028)</u>	<u>(300,549)</u>

These financial statements were approved by the Board of Directors on 13 December

2001.

Signed on behalf of the Board of Directors



C P L Marke

Director

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 August 2001**

	Note	2001 £	2000 £
Net cash inflow/(outflow) from operating activities	15	164,523	(484,437)
Payments from/(to) joint ventures and associates			
Distribution from/(to) joint venture partnership		897,453	(92,462)
Returns on investments and servicing of finance			
Interest received		-	7,658
Net cash inflow from returns on investments and servicing of finance		-	7,658
Taxation			
UK corporation tax recovered		213,885	10,676
Capital expenditure			
Payments to acquire tangible fixed assets		(255,467)	(289,424)
Receipts from sale of tangible fixed assets		-	5,000
Net cash outflow from capital expenditure		(255,467)	(284,424)
Acquisitions and disposals			
Sale of subsidiary undertaking	17	826,409	-
Net cash disposed of with subsidiary	17	(491,503)	-
		334,906	-
Equity dividends paid		-	(70,000)
Net cash inflow/(outflow) before financing		1,355,301	(912,989)
Financing			
Capital element of finance lease rental payments		(1,566)	(2,356)
Increase/(decrease) in cash		1,353,735	(915,345)

**PGI SPEARHEAD LIMITED**  
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**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 August 2001**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>Note</b>	<b>2001</b> <b>£</b>	<b>2000</b> <b>£</b>
Increase/(decrease) in cash		1,353,735	(915,345)
Cash outflow from decrease in lease financing		1,566	2,356
Change in net funds/(debt) resulting from cash flows		<u>1,355,301</u>	<u>(912,989)</u>
Movement in net funds/(debt) in the year		1,355,301	(912,989)
Net funds at beginning of the year		<u>46,396</u>	<u>959,385</u>
Net funds at end of the year	16	<u><u>1,401,697</u></u>	<u><u>46,396</u></u>

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**1. ACCOUNTING POLICIES**

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

Certain comparative items in the profit and loss account have been reclassified to present more appropriately the impact of the joint venture. These reclassifications have had no impact on the profit for the year.

**Basis of preparation**

The accounts have been prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis. Certain directors of the company are currently in negotiation to purchase the company from its ultimate parent company. In the event that these transactions are completed, it is intended that the company and other related companies will be refinanced and will no longer benefit from the parent company support. These proposed transactions have not yet been completed.

The directors of the company consider it appropriate to prepare the financial statements on a going concern basis because they believe that the parent company will provide support if the proposed transaction does not occur, although there can be no assurance as to the duration of this support or that the transaction will be completed. The financial statements do not include any adjustments that would result from a different basis of preparation.

**Basis of consolidation**

The group accounts consolidate the accounts of PGI Spearhead 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 £1,988,479 (2000 – loss £1,495,148).

**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:

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

**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. Provision is made for any anticipated losses on individual exhibitions.

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**1. ACCOUNTING POLICIES (continued)**

**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.

**Turnover**

Revenue and profits from individual exhibitions are only recognised at the point at which the exhibitions are held. Prior to this date, income received in advance is classified as deferred revenue and third party costs incurred are included in work in progress. Income is recognised from management fees to third parties over the period which the services are provided.

**Pensions**

The company operated 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. The scheme was wound up in the prior year.

**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 (2000 – £4,531,494) arises wholly in the UK. The geographical analysis of group turnover is as follows:

	2001 £	2000 £
United Kingdom	765,331	834,432
Outside United Kingdom	1,607,182	7,682,354
	<u>2,372,513</u>	<u>8,516,786</u>

**3. GROUP OPERATING LOSS**

This is stated after charging/(crediting):

	2001 £	2000 £
Auditors' remuneration	45,000	21,000
Depreciation of owned tangible fixed assets	187,229	134,495
Depreciation of assets held under finance leases and hire purchase contracts	1,896	7,568
Amounts written of owned tangible assets	175,055	-
Operating lease rentals - equipment	8,374	27,428
- land and buildings	280,358	140,003
Loss/(profit) on disposal of tangible fixed assets	<u>243,020</u>	<u>(3,462)</u>

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**4. STAFF COSTS**

	2001 £	2000 £
Wages and salaries	1,607,111	1,572,196
Social security costs	181,293	163,204
Pension costs	-	39,963
Recharged to immediate parent undertaking	(121,426)	-
	<u>1,666,978</u>	<u>1,775,363</u>

The average weekly number of employees during the year was 56 (2000 – 49).

**5. DIRECTORS' EMOLUMENTS**

	2001 £	2000 £
Emoluments (including benefits)	469,400	535,977
Company contributions paid to money purchase pension scheme	-	-
	<u>469,400</u>	<u>535,977</u>
	No.	No.
Members of defined contribution scheme	<u>-</u>	<u>-</u>
	£	£
Highest paid director	<u>119,236</u>	<u>132,475</u>

**6. INTEREST RECEIVABLE**

	2001 £	2000 £
Bank interest receivable	<u>-</u>	<u>7,658</u>

**7. TAXATION ON LOSS FOR THE YEAR**

No tax charge has arisen during the year due to the losses incurred by the company.

Deferred tax assets with an estimated value of £873,000 arising predominantly from losses have not been recognised.

**PGI SPEARHEAD LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**8. TANGIBLE FIXED ASSETS**

<b>Group and company</b>	<b>Leasehold improvements £</b>	<b>Furniture and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
Cost:				
At 1 September 2000	84,184	741,974	99,546	925,704
Additions	95,742	159,725	-	255,467
Disposals	(179,926)	(538,508)	(99,546)	(817,980)
At 31 August 2001	-	363,191	-	363,191
Depreciation:				
At 1 September 2000	84,184	335,007	95,594	514,785
Charge for the year	-	187,229	1,896	189,125
Impairment loss	20,192	154,863	-	175,055
Disposals	(104,376)	(373,093)	(97,490)	(574,959)
At 31 August 2001	-	304,006	-	304,006
Net book value				
At 31 August 2001	-	59,185	-	59,185
At 31 August 2000	-	406,967	3,952	410,919

The impairment losses of £175,055 represents an impairment in the carrying value of fixed assets in the business taking into account the ongoing losses of the business and the anticipated replacement of certain assets in the near future. The assets involved have been written down to estimated market value.

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

	<b>Furniture and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
Cost:			
At 1 September 2000	11,495	99,547	111,042
Disposals	(11,495)	(99,547)	(111,042)
At 31 August 2001	-	-	-
Depreciation:			
At 1 September 2000	8,620	95,594	104,214
Charge for the year	-	1,896	1,896
Disposals	(8,620)	(97,490)	(106,110)
At 31 August 2001	-	-	-
Net book value			
At 31 August 2001	-	-	-
At 31 August 2000	2,875	3,953	6,828

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**9. INVESTMENTS**

<b>Company</b>	<b>Subsidiary undertakings £</b>
Cost:	
At 1 September 2000	1,054
Disposals	(50)
	<hr/>
31 August 2001	1,004
	<hr/>

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:

<b>Name of company</b>	<b>Holding</b>	<b>Nature of business</b>
<b>Subsidiary undertakings</b>		
Spearhead (Offshore Europe) Limited	100%	Partnership interest
Offshore Europe (Management) Limited	100%	Management services
Defence Systems Equipment International Limited	100%	Exhibition organiser

**Others**

Aberdeen Exhibition and Conference Centre Limited	25%	Conference Centre
---	-----	-------------------

On 7 May 2001, PGI Spearhead Limited's shareholding in Imdex Asia Limited of 50 ordinary £1 shares was disposed of. The profit on disposal was £832,939, with consideration received as detailed below:

	<b>£</b>
Cash	826,409
Deferred	3,978
	<hr/>
Total	830,387
	<hr/>

Imdex Asia Limited did not have a material impact on the consolidated profit and loss account and no analysis of continuing and discontinuing turnover or operating loss is therefore given.

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% (2000 – 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.



**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**9. INVESTMENTS continued**

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 2002.

For the year ended 31 August 2001 the partnership had losses before and after taxation of £329,953.

The assets and liabilities of the partnership as at the 31 August 2001 were as follows:

	2001 £	2000 £
Current assets	3,627,084	83,714
Liabilities due within one year	(4,305,854)	(602,574)
	<u>(678,770)</u>	<u>(518,860)</u>

**10. WORK IN PROGRESS**

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Costs in respect of future exhibitions	<u>2,686,070</u>	<u>640,595</u>	<u>2,686,070</u>	<u>547,509</u>

**11. DEBTORS**

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Trade debtors	963,446	372,666	960,927	294,472
Amounts owed by parent undertakings	3,772,935	3,634,814	3,772,931	3,634,814
Amounts owed by subsidiary undertakings	-	-	661,053	736,487
Amounts owed by joint venture	-	137,573	-	137,573
Amounts owed by fellow subsidiaries	-	94,998	-	94,998
Corporation tax recoverable	349,925	349,925	235,756	235,756
Other debtors	6,979	63,926	6,979	49,530
Prepayments and accrued income	13,984	54,298	13,984	54,298
	<u>5,107,269</u>	<u>4,708,200</u>	<u>5,651,630</u>	<u>5,237,928</u>

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.

**PGI SPEARHEAD LIMITED**  
**(formerly Spearhead Exhibitions Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 2001**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase contracts	-	1,566	-	1,566
Trade creditors	269,320	186,390	268,917	110,882
Amount owed to parent undertakings	2,079,865	4,782,314	2,079,865	4,782,314
Amounts owed to subsidiary undertakings	-	-	822,437	866,241
Amount owed to associated undertakings	679,926	-	679,926	-
Corporation tax	322,344	312,688	294,694	284,186
Social security and other taxes	203,381	9,820	203,381	9,820
Other creditors	56,298	43,634	56,248	44,250
Accruals and deferred income	7,684,650	525,953	7,683,151	439,858
	<u>11,295,784</u>	<u>5,862,365</u>	<u>12,088,619</u>	<u>6,539,117</u>

**13. OTHER FINANCIAL OBLIGATIONS**

At 31 August 2001 the group and company were committed to making the following payments during the next year in respect of operating leases:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within one year	-	-	-	-
Between two and five years	-	-	17,916	-
After five years	189,000	-	-	-
	<u>189,000</u>	<u>-</u>	<u>17,916</u>	<u>-</u>

**14. CALLED UP SHARE CAPITAL**

	<b>Authorised, allotted, called up and fully paid</b>	
	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<u>10,526</u>	<u>10,526</u>

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**NOTES TO THE ACCOUNTS**  
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**15. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2001 £	2000 £
Total operating loss	(2,734,791)	(1,268,832)
Share of operating (loss)/profit in joint venture	(164,977)	762,814
Depreciation and amounts written off tangible assets	364,180	142,066
Loss/(gain) on sale of tangible fixed assets	243,020	(3,462)
(Increase)/decrease in work in progress	(2,045,475)	1,348,345
(Increase)/decrease in debtors	(1,206,445)	226,011
Increase/(decrease) in creditors	5,709,011	(1,691,379)
	<u>164,523</u>	<u>(484,437)</u>
Net cash inflow/(outflow) from operating activities	<u>164,523</u>	<u>(484,437)</u>

**16. ANALYSIS OF NET FUNDS**

	At 31 August 2000 £	Cash flow £	At 31 August 2001 £
Cash at bank and in hand	47,962	1,353,735	1,401,697
	<u>47,962</u>	<u>1,353,735</u>	<u>1,401,697</u>
Finance lease obligations	(1,566)	1,566	-
	<u>46,396</u>	<u>1,355,301</u>	<u>1,401,697</u>

**17. SALE OF SUBSIDIARY UNDERTAKING**

	£
Cash	491,503
Trade debtors	247,105
Other debtors	192,886
Prepayments	233,794
Trade creditors	(34,418)
Deferred revenue	(1,127,920)
Accruals	(4,650)
Corporation tax	(852)
	<u>(2,552)</u>
Gain on disposal	<u>830,387</u>
<b>Satisfied by</b>	
Cash	826,409
Deferred consideration	3,978
	<u>830,387</u>

Please see note 9 for further details regarding the disposal of Imdex Asia Limited on 7 May 2001.

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**18. MOVEMENTS ON RESERVES**

<b>Group</b>	<b>Share capital £</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 September 2000	10,526	19,473	(344,118)	(314,119)
Loss for the year	-	-	(2,066,829)	(2,066,829)
At 31 August 2001	<u>10,526</u>	<u>19,473</u>	<u>(2,410,947)</u>	<u>(2,380,948)</u>

<b>Company</b>	<b>Share capital £</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 September 2000	10,526	19,473	(330,548)	(300,549)
Loss for the year	-	-	(1,988,479)	(1,988,479)
At 31 August 2001	<u>10,526</u>	<u>19,473</u>	<u>(2,319,027)</u>	<u>(2,289,028)</u>

**19. CONTINGENT LIABILITIES**

The All First Bank holds charges over the property and other assets of the company in support of a revolving line of credit made to the company's ultimate parent company, PGI Inc.

**20. PENSION SCHEMES**

The company's discretionary, non-contributory money purchase pension scheme for certain directors was wound up in the prior year.

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**21. 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 PGI Spearhead 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 is the parent heading the smallest group for which group accounts are prepared. PGI Inc is the parent heading the largest group for which group accounts are prepared.

The company has made advances to PGI Europe Limited, its immediate parent undertaking. The total balance receivable at 31 August 2001 was £3,772,931 (2000 - £3,634,814). Also included within debtors at 31 August 2001 are balances receivable from PGI Europe Limited of £3,772,931 (2000 - £nil). PGI Europe Limited made a management charge of £nil (2000 - £263,153) to PGI Spearhead Limited during the year.

The total balance owed to PGI Inc, the company's ultimate parent undertaking as at 31 August 2001 was £2,079,865 (2000 - owed by £2,831,651). Included within operating expenses are management charges of £146,632 (2000 - £62,321) from PGI Inc.

The company has made a loan to Spearhead (Offshore Europe) Limited of £600,000 (2000 - £600,000). The loan is interest free and has no prescribed repayment date. The company has given an undertaking not to seek repayment of this amount within one year of the approval of these accounts.

During the year, the company received management fees from the Offshore Europe Partnership joint venture of £329,953 (2000 - £323,842). As at 31 August 2001, amounts due to associates totalled £679,926 (2000 - due from £137,573).