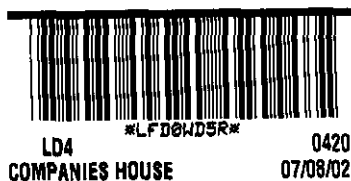


Peregrine Systems No. 2 Limited
(formerly Harbinger UK Limited)

Financial statements for the year ended 31 March 2002
together with directors' and auditors' reports

Registered number: 2942785



Directors' report

For the year ended 31 March 2002

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 March 2002.

Change of name

The company changed its name to Peregrine Systems No. 2 Limited on 8 October 2001.

Principal activity and business review

The principal activity of the group is the provision of information technology, software licences and related maintenance and consultancy services. During the year the group experienced growth and a return to profitability. The directors expect to consolidate this position in the market in the forthcoming year.

Results and dividends

Results, retained loss and dividends are as follows:

	£
Deficit at 31 March 2001	(3,134,046)
Profit for the financial year	942,419
Deficit at 31 March 2002	<u>(2,191,627)</u>

The directors are unable to recommend the payment of a dividend.

Directors and their interests

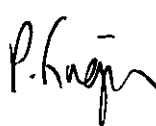
The directors who served during the year or who have been appointed since the financial year end were as follows:

P Farrimond	(appointed 22 July 2002)
S Feargrieve	(appointed 22 July 2002)
P Finegan	(appointed 22 July 2002)
E J Wilson	(appointed 31 March 2002, resigned 2 July 2002)
G I P M G Boonen	(appointed 31 October 2001, resigned 2 July 2002)
G E. Nail	(appointed 31 October 2001, resigned 2 July 2002)
J R Crook	(resigned 31 October 2001)

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Quay West
Trafford Wharf Road
Trafford Park
Manchester
M17 1HH

By order of the Board,


P Finegan
Director

31 July 2002

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 group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and 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 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the Shareholders of Peregrine Systems No. 2 Limited:

We have audited the financial statements of Peregrine Systems No. 2 Limited for the year ended 31 March 2002 on pages 5 to 19 which have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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 and other members of the group is not disclosed. We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 and of the group, 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.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the note "Basis of accounting" in the Statement of Accounting Policies of the financial statements concerning the uncertainty as to the future funding of the company. In view of the significance of the uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Independent auditors' report (continued)

Opinion

As explained in Note 9, the overseas subsidiary undertaking has not been included in the group financial statements as required by Financial Reporting Standard 2 and section 227 of the Companies Act 1985.

Except for the failure to include the overseas subsidiary undertaking in the group financial statements, in our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 March 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Abbots House, Abbey Street

Reading, RG1 3BD

31 July 2002

Consolidated profit and loss account

For the year ended 31 March 2002

		Continuing operations	
		For the 12 months to 31 March 2002 £	For the 15 months to 31 March 2001 £
Turnover	1	2,640,534	3,869,441
Cost of sales		-	(654,601)
Gross profit		2,640,534	3,214,840
Other operating expenses (net)	2	(1,641,061)	(5,282,810)
Operating profit (loss)		999,473	(2,067,970)
Interest receivable and similar income	3	2,637	9,722
Interest payable and similar charges	4	(59,691)	(13)
Profit (Loss) on ordinary activities before taxation	5	942,419	(2,058,261)
Tax on profit (loss) on ordinary activities	7	-	(23,142)
Surplus (Deficit) for the financial year	14,15	942,419	(2,081,403)

The company has no recognised gains or losses in either period other than the result for that financial period.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 March 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	8	445,731	577,133
Current assets			
Debtors	11	5,130,163	979,238
Cash at bank and in hand		183,348	160,920
		5,313,511	1,140,158
Creditors: Amounts falling due within one year	12	(7,303,855)	(4,204,323)
Net current liabilities		(1,990,344)	(3,064,165)
Net liabilities		(1,544,613)	(2,487,032)
Capital and reserves			
Called-up share capital	13	187,661	187,661
Share premium account	14	374,353	374,353
Capital redemption reserve	14	85,000	85,000
Profit and loss account	14	(2,191,627)	(3,134,046)
Equity shareholders' deficit	15	(1,544,613)	(2,487,032)

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 March 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	8	445,731	577,133
Investments	9	97,947	97,947
		<u>543,678</u>	<u>675,080</u>
Current assets			
Debtors	11	5,130,163	979,238
Cash at bank and in hand		183,348	160,920
		<u>5,313,511</u>	<u>1,140,158</u>
Creditors: Amounts falling due within one year	12	<u>(7,401,802)</u>	<u>(4,302,270)</u>
Net current liabilities		<u>(2,088,291)</u>	<u>(3,162,112)</u>
Net liabilities		<u>(1,544,613)</u>	<u>(2,487,032)</u>
Capital and reserves			
Called-up share capital	13	187,661	187,661
Share premium account	14	374,353	374,353
Capital redemption reserve	14	85,000	85,000
Profit and loss account	14	<u>(2,191,627)</u>	<u>(3,134,046)</u>
Equity shareholders' deficit	15	<u>(1,544,613)</u>	<u>(2,487,032)</u>

Signed on behalf of the Board



P Finegan

Director

31 July 2002

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 March 2002

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as discussed in note 9.

At 31 March 2002, the company had net current liabilities of £2,088,291 and net liabilities of £1,544,613. The directors have prepared the financial statements on a going concern basis as PCI International Inc., the current ultimate parent undertaking, has confirmed that it will continue to provide financial support to enable the company to continue in business as a going concern and to satisfy all third party obligations in full when they become due for a period of at least twelve months from the date these financial statements were approved.

The financial statements do not include any adjustments that might be necessary if the financial support was not forthcoming.

b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2002 except that its overseas subsidiary undertaking is not consolidated. In the directors' opinion, the information necessary for the preparation of group financial statements including the overseas subsidiary undertaking cannot be obtained without disproportionate expense and undue delay. Except in respect of the overseas subsidiary undertaking the results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed and acquisitions are accounted for under the acquisition method.

c) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

d) Revenue recognition and deferred income

For software licences, the revenue is recognised on delivery of the key or upon ascertainment that no significant obligations pertaining to the sale of the software exist.

Consulting and training revenue are recognised when the related services are performed.

For maintenance contracts, the revenue is recognised over the period of the contract on a straight line basis. The amount of deferred income is disclosed separately within creditors: amounts falling due within one year.

Statement of accounting policies (continued)

e) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold improvements	- over the term of the lease
Computer equipment	- 20 % to 33⅓% straight line
Office fixtures and fittings	- 14.3% straight line

Residual value is calculated on prices prevailing at the date of acquisition.

f) Investments

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

g) Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is two years. Provision is made for any impairment.

h) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

i) Leasing

Rentals under operating leases are charged against income on a straight line basis over the lease term, even if the payments are not made on such a basis.

j) Pension costs

The cost of providing retirement pensions under the defined contribution schemes is charged to the profit and loss account as contributions fall due. The difference, if any, between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or a liability in the balance sheet.

Statement of accounting policies (continued)

k) Taxation

Current tax, including UK corporation tax and foreign 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements

31 March 2002

1 Turnover

Segment information has been omitted.

2 Other operating expenses (net)

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
Administrative expenses	4,570,572	5,282,810
Other operating income	(2,929,511)	-
	<u>1,641,061</u>	<u>5,282,810</u>

3 Interest receivable and similar income

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
On bank deposits	<u>2,637</u>	<u>9,722</u>

4 Interest payable and similar charges

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
On bank loans, overdrafts and other loans	<u>59,691</u>	<u>13</u>

Notes to the financial statements (continued)

5 Profit (Loss) on ordinary activities before taxation

Profit (Loss) on ordinary activities before taxation is stated after charging:

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
Depreciation and amounts written off tangible fixed assets	316,878	384,586
Amortisation of goodwill (Note 10)	-	195,659
Operating lease rentals		
- plant and machinery	80,887	129,629
- land and buildings	186,920	197,772
Auditors' remuneration		
- audit fees	15,000	18,000
- other	5,000	-
	<hr/>	<hr/>

6 Staff costs

The average monthly number of employees (including executive directors) was:

	Number of employees	
	12 months ended 31 March 2002	15 months ended 31 March 2001
Engineering/production/test station/consultancy	32	44
Sales	8	8
Administration	5	9
	<hr/>	<hr/>
	45	61
	<hr/>	<hr/>

Notes to the financial statements (continued)

6 Staff costs (continued)

The aggregate remuneration comprised:

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
Wages and salaries	1,718,276	2,755,175
Social security costs	257,254	273,704
Other pension costs	212,735	16,549
	<u>2,188,265</u>	<u>3,045,428</u>

Remuneration:

The remuneration of the directors was as follows:

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
Emoluments	<u>-</u>	<u>133,774</u>

No director was a member of a pension scheme during the year (15 months ended 31 March 2001 – None).

7 Tax on profit (loss) on ordinary activities

The tax charge comprises:

	12 months ended 31 March 2002 £	15 months ended 31 March 2001 £
Irrecoverable advance corporation tax in respect of earlier years	<u>-</u>	<u>23,142</u>

There is no unprovided deferred tax liability (2001: £nil).

Notes to the financial statements (continued)

8 Tangible fixed assets

Group and company

	Leasehold improvements £	Computer equipment £	Office fixtures, and fittings £	Total £
Cost				
Beginning of year	62,727	1,012,104	294,772	1,369,603
Additions	43,257	114,039	28,180	185,476
End of year	<u>105,984</u>	<u>1,126,143</u>	<u>322,952</u>	<u>1,555,079</u>
Depreciation				
Beginning of year	19,832	667,840	104,798	792,470
Charge for the year	11,749	248,797	56,332	316,878
End of year	<u>31,581</u>	<u>916,637</u>	<u>161,130</u>	<u>1,109,348</u>
Net book value				
Beginning of year	<u>42,895</u>	<u>344,264</u>	<u>189,974</u>	<u>577,133</u>
End of year	<u>74,403</u>	<u>209,506</u>	<u>161,822</u>	<u>445,731</u>

9 Fixed asset investments

Company

	2002 £	2001 £
Subsidiary undertakings - cost		
Beginning and end of year	<u>97,947</u>	<u>97,947</u>

Notes to the financial statements (continued)

9 Fixed asset investments (continued)

During 1999 the company received 80% of the issued share capital of Harbinger Italia S.R.L for a nil consideration as part of a group reconstruction.

The company's subsidiary undertakings are as follows:

	Country of incorporation	Principal activity	Shares held	
			Class	%
Harbinger Italia S.R.L	Italy	Provision of information technology	Ordinary	80
Atlas Products International Limited	Great Britain	Dormant	Ordinary	100
Harbinger Oxon Limited	Great Britain	Dormant	Ordinary	100
Premenos (UK) Limited	Great Britain	Dormant	Ordinary	100
EDI Integrated Services Limited	Great Britain	Dormant	Ordinary	100

As explained in the note "Basis of consolidation" contained in the Statement of accounting policies, group financial statements, including Harbinger Italia S.R.L. have not been prepared. Harbinger Italia S.R.L made a loss after tax of £140,000 for the year ended 31 December 2001 and its aggregate capital and reserves at 31 December 2001 amounted to £8,300 based on unaudited financial information.

10 Intangible fixed assets

	Goodwill £
Company	
Cost	
Beginning and end of year	391,318
Amortisation	
Beginning and end of year	391,318
Net book value	
Beginning and end of year	-

In the year ended 31 March 1998 the company acquired several subsidiary undertakings. The trade and net assets of these subsidiary undertakings were substantially transferred to the company at their book value which was equal to the fair value of the net assets. Also transferred to the company were the trade and net assets of an existing subsidiary, Atlas Products International Limited. Part of the company's cost of investment in the existing subsidiary undertaking represented goodwill which was also transferred and described as an intangible fixed asset which is being amortised over a two year period.

Notes to the financial statements (continued)

11 Debtors

Amounts falling due within one year:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	703,142	629,637	703,142	629,637
Amounts owed by group undertakings	4,200,167	91,173	4,200,167	91,173
Other debtors	116,543	120,255	116,543	120,255
Prepayments and accrued income	110,311	138,173	110,311	138,173
	<u>5,130,163</u>	<u>979,238</u>	<u>5,130,163</u>	<u>979,238</u>

Other debtors includes an amount of £114,000 (2001 – £114,000) in respect of a rent deposit that is falling due after more than one year. There is a charge on the rent deposit in respect of the company's commitment under a lease agreement.

12 Creditors: Amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdrafts (unsecured)	-	101,072	-	101,072
Trade creditors	238,573	234,118	238,573	234,118
Amounts owed to group undertakings	5,869,025	2,892,879	5,869,025	2,892,879
Amounts owed to subsidiary undertakings	-	-	97,947	97,947
Other taxes and social security costs	235,203	275,229	235,203	275,229
Accruals and deferred income	961,054	701,025	961,054	701,025
	<u>7,303,855</u>	<u>4,204,323</u>	<u>7,401,802</u>	<u>4,302,270</u>

Notes to the financial statements (continued)

13 Called-up share capital

	2002 £	2001 £
<i>Authorised</i>		
1,100,000 ordinary shares of £1 each	1,100,000	1,100,000
170,000 redeemable ordinary shares of £1 each	170,000	170,000
	<u>1,270,000</u>	<u>1,270,000</u>
<i>Allotted, called-up and fully-paid</i>		
102,661 ordinary shares of £1 each	102,661	102,661
85,000 redeemable ordinary shares of £1 each	85,000	85,000
	<u>187,661</u>	<u>187,661</u>

The redeemable ordinary shares are redeemable at the option of the company. Each of the redeemable ordinary shares carries one vote and has equal voting rights to the ordinary shares in issue.

14 Reserves

Group	Share premium account £	Capital redemption reserve £	Profit and loss account £
Beginning of year	374,353	85,000	(3,134,046)
Profit for the financial year	-	-	942,419
End of year	<u>374,353</u>	<u>85,000</u>	<u>(2,191,627)</u>
Company			
Beginning of year	374,353	85,000	(3,134,046)
Profit for the financial year	-	-	942,419
End of year	<u>374,353</u>	<u>85,000</u>	<u>(2,191,627)</u>

The cumulative amount of goodwill written off against the company's reserves is £391,318 (2001 - £391,318).

Notes to the financial statements (continued)

15 Reconciliation of movements in equity shareholders' deficit

	2002 £	2001 £
Group		
Profit (Loss) for the financial year	942,419	(2,081,403)
Opening equity shareholders' deficit	(2,487,032)	(405,629)
Closing equity shareholders' deficit	<u>(1,544,613)</u>	<u>(2,487,032)</u>

	2002 £	2001 £
Company		
Profit (Loss) for the financial year	942,419	(2,277,062)
Opening equity shareholders' deficit	(2,487,032)	(209,970)
Closing equity shareholders' deficit	<u>(1,544,613)</u>	<u>(2,487,032)</u>

16 Deferred taxation

The company had no potential liability to deferred taxation at both the beginning and end of the year.

17 Financial commitments

Operating leases

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
Expiry date:				
Within one year	-	23,957	22,909	5,097
Between two and five years	-	28,181	-	70,182
Over five years	186,920	-	114,000	-
	<u>186,920</u>	<u>52,138</u>	<u>136,909</u>	<u>75,279</u>

Notes to the financial statements (continued)

18 Ultimate parent undertaking

Until 21 June 2002, the ultimate parent company was Peregrine Systems Inc., a company incorporated in the State of California U.S.A. On 21 June 2002, PCI International Inc., a company incorporated in the State of Delaware U.S.A., purchased the entire share capital of Peregrine Connectivity Inc., a company incorporated in the State of California U.S.A., and the company's immediate parent company. From that date, PCI International Inc. is the ultimate parent company.

The largest and smallest group in which the results of the company for the year are consolidated is that headed by Peregrine Systems Inc. The consolidated financial statements of the group are available to the public and may be obtained from 3579, Valley Centre Drive, San Diego, CA 92130.

Advantage has been taken of the exemptions available under Financial Reporting Standard No. 8 for the non-disclosure of transactions between group undertakings.