

PNI Holdings Limited

(Registered Number: 3897811)

Directors' Report and Accounts

Year ended 30 June 2002



Directors' Report
For the Year Ended 30 June 2002

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The directors submit their report and the audited financial statements of the company for the year ended 30 June 2002.

Principal activity and review of business

As a holding company, PNI Holdings Limited incurs administrative costs and interest but has had no trading activity in the year.

The directors do not recommend the payment of a dividend (2001: £Nil).

Directors

The directors of the company who held office during the year and subsequently are:

G Lennox	(Resigned 7 November 2002)
R Fielding	(Resigned 7 November 2002)
G Stevens	(Appointed 28 August 2002)
M Davy	(Appointed 30 October 2002)

No director had any beneficial interest in the share capital of the company at 30 June 2002 or 30 June 2001.

The interests of the directors in the shares of Protocol Associates NV, the company's parent company, are disclosed in the financial statements of Protocol Associates NV.

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 profit or loss of the company for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.


The directors confirm that suitable accounting policies have been used and applied consistently, that reasonable and prudent judgements have been made in preparing the financial statements for the year ended 30 June 2002 and that applicable accounting standards have been followed. They also confirm that it is appropriate to prepare the financial statements on a going concern basis.

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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



G Stevens

Director

20 December 2002

Independent Auditors' Report to the Members of PNI Holdings Limited

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham
20 December 2002

Profit and Loss Account
For the year ended 30 June 2002

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	2002 £'000	2001 £'000
Administrative expenses	(549)	(98)
Exceptional administrative expenses (Note 3)	(1,427)	-
Total administration expenses	(1,976)	(98)
Operating loss (Note 3)	(1,976)	(98)
Interest payable and similar charges (Note 4)	(5,231)	(2,649)
Interest receivable and similar income (Note 5)	359	187
Loss on ordinary activities before taxation	(6,848)	(2,560)
Taxation (Note 6)	1,107	742
Loss for the financial year	(5,741)	(1,818)

There are no recognised gains or losses other than the loss for the year shown above and all operations are continuing operations.

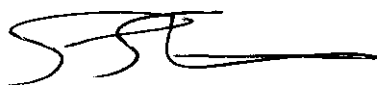
The notes on pages 6 to 12 form part of these financial statements.

Balance Sheets as at 30 June 2002

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	2002 £'000	2001 £'000
Fixed assets		
Investments (Note 7)	11,468	11,460
	11,468	11,460
Current assets		
Debtors (Note 8)	55,073	53,189
Cash at bank and in hand	7,160	7,672
	62,233	60,861
Creditors – Amounts falling due within one year (Note 9)	(15,617)	(17,680)
Net current assets	46,616	43,181
Total assets less current liabilities	58,084	54,641
Creditors - Amounts falling due after more than one year (Note 10)	(64,572)	(55,388)
Net liabilities	(6,488)	(747)
Capital and reserves		
Called up share capital (Note 11)	1,029	1,029
Share premium account (Note 12)	114	114
Profit and loss account (Note 12)	(7,631)	(1,890)
Equity shareholders' funds	(6,488)	(747)

Approved By The Board
20 December 2002



G Stevens
Director

The notes on pages 6 to 12 form part of these financial statements.

1 Accounting Policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards all of which have been applied consistently throughout the year and the preceding period, with the exception of accounting standards adopted in the current year. Where a choice of treatment is available the directors apply the most appropriate accounting policy and estimation technique in accordance with Financial Reporting Standard Number 18 (FRS 18).

During the year the Company adopted FRS 19 "Deferred Tax". As a result full provision is now made for deferred tax arising on all timing differences and deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The Company previously provided for deferred tax on timing differences to the extent that the difference was expected to reverse in the foreseeable future. The adoption of FRS 19 does not give rise to any material impact on the current or prior year.

Cash flow statement

The company has taken advantage of the exemption from the requirement to produce a cash flow statement in accordance with FRS 1, as it is a member of a group whose parent company, Protocol Associates NV, prepares consolidated accounts which include a cash flow statement and are publicly available.

Deferred taxation

Full provision is made for deferred taxation arising on all timing differences. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Investments

The company's investments in subsidiaries are stated at cost less any impairment provision for diminution in value.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at year end exchange rates (or at a contractual rate if applicable) and the resulting exchange rate differences are dealt with in the determination of profit for the financial period.

2 Staff Numbers and Costs

The average number of persons (all directors) employed by the company during the year was 2 (2001: 2).

The total emoluments of the directors, including pension contributions was £Nil (2001: £Nil).

The directors' emoluments in respect of services to the company are borne by Protocol Systems Limited, another group company, and their emoluments are shown in the financial statements of that company. Copies of these financial statements can be obtained from the Company Secretary, Arboretum Gate, 88-90 North Sherwood Street, Nottingham, NG1 4EE.

3 Operating loss

	2002 £'000	2001 £'000
Operating loss is stated after charging:		
Auditors' remuneration	6	4
Exceptional item: write off of amounts due from former fellow subsidiary	1,427	-

Auditors' remuneration for non-audit services provided to the company amounted to £nil (2001: £27,000).

4 Interest Payable and Similar Charges

	2002 £'000	2001 £'000
Bank interest payable	1,696	980
Amortisation of issue costs	221	57
Loan note interest payable	3,145	1,612
Bank charges	169	-
	5,231	2,649

5 Interest Receivable and Similar Income

	2002 £'000	2001 £'000
Bank interest receivable	359	187

6 Taxation

The credit, based on the loss for the year, comprises:

	2002 £'000	2001 £'000
UK Corporation tax at 30% (2001: 30%)	1,252	736
(Under) / over provision in respect of prior years	(145)	6
	1,107	742

There is no actual or potential deferred tax liability (2001: £Nil). The corporation tax debtor has been adjusted by the group relief of losses surrendered to Protocol Training Limited, Education Lecturing Services Limited, Protocol National Limited and Protocol Teachers Limited for which payment of £1,252,000 (2001: £736,000 surrendered to Protocol National Limited and Tektra Limited) is receivable.

6 Taxation (cont'd)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000
Loss on ordinary activities before tax	6,848
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	2,054
<i>Effects of:</i>	
Permanent differences	(452)
Adjustments in respect of previous periods	(145)
Other timing differences	(350)
Actual tax on profit on ordinary activities	1,107

7 Investments

Cost and net book value	£'000
At 1 July 2001	11,460
Additions	8
At 30 June 2002	11,468

Details of wholly owned subsidiary undertakings, all of which are registered in Great Britain, are as follows:

Name	Nature of business
Protocol Systems Limited	Provision of hardware and software technical support
Protocol Training Limited	Training Consultants
Tektra Limited	Training providers and management of associated training schemes
Harnser Associates Limited	Dormant company
Protocol Learning Limited	Intermediate holding company of Spring General Services Limited

8 Debtors

	2002	2001
	£'000	£'000
Amounts owed by group companies	55,054	53,184
Other taxes and social security	9	5
	55,073	53,189

9 Creditors - Amounts falling due within one year

	2002	2001
	£'000	£'000
Trade Creditors	21	-
Debentures, loans and loan stock	-	5,820
Bank loans and overdrafts	964	2,404
Amounts due to group undertakings	14,083	9,011
Accruals and deferred income	549	445
	15,617	17,680

10 Creditors - Amounts falling due after more than one year

	2002 £'000	2001 £'000
Debentures, loans and loan stock	38,612	35,696
Bank loans	25,513	19,280
Term loan to a fellow group company	447	412
	64,572	55,388

The term loan to a fellow group company includes interest of £35,000 (2001: £36,000) which is rolled over quarterly at 10% per annum. The beneficiary of the loan is Protocol Associates NV.

Maturity of Debt

	2002 £'000	2001 £'000
In one year or less, or on demand	964	8,224
In more than one year, but not more than two years	3,848	3,279
In more than two years, but not more than five years	19,162	13,882
In more than five years	2,503	2,119
	26,477	27,504

Amount repayable otherwise than by instalments	38,612	35,696
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Terms of repayment

With respect to the unsecured loan notes of £38,593,000 falling due after more than one year payment becomes due on a take over or Listing. The company has the option of repaying the loan note by giving 30 days notice.

Bank loans comprise Tranche A (£19,241,624), Tranche B (£3,067,148), and Tranche C (£5,005,000) and are stated net of issue costs which are released to the profit and loss account in line with the interest charged.

Tranche A is repayable in instalments which commenced 30 September 2001.

Tranche B is repayable in full on 31 March 2006.

Tranche C is repayable in two equal instalments on 30 June 2007 and 31 December 2007.

In accordance with FRS 4 a loan arrangement fee of £1,116,000 is offset against the bank loans, this fee is being amortised over the period of the loans, the charge in the current period was £221,000 (2001: £57,000).

10 Creditors - Amounts falling due after more than one year ...cont'd**Rates of interest payable**

With respect to £33,661,000 of loan notes falling due in more than five years interest at 8% is payable. Prior to 30 June 2001 all interest was accrued and added to the principal sum of the loan note. After 1 July 2001, 25% of interest charged was payable in arrears due on 31 December 2001 and 30 June 2002, with the balance being accrued and added to the principal of the loan note. After 1 July 2002, 50% of interest charged is payable in arrears due in December and June, with the balance being accrued and added to the principal of the loan note.

With respect to the remaining £4,932,000 of loan notes falling due in more than five years interest at 8% is payable. All interest is accrued and added to the principal sum of the loan note.

With respect to bank loans, interest is payable on Tranche A at 2.25% above LIBOR, on Tranche B at 2.5% above LIBOR; and on Tranche C at 3.5% above LIBOR. The loans are subject to a 4.8% collar and a 6% cap arrangement.

11 Share Capital

<i>Authorised, Allotted and fully paid</i>		<i>2002</i> £	<i>2001</i> £
Equity			
999,999	Ordinary shares of 90p each	899,999	899,999
142,857	'A' ordinary shares of 90p each	128,571	128,571
1	One pound share	1	1
		1,028,571	1,028,571

Share Rights

The ordinary shares and 'A' ordinary shares rank pari passu with regard to distribution rights. With regard to voting rights the holders of 'A' ordinary shares are entitled to cast, in relation to each resolution proposed, such number of votes as shall comprise three-fourths of all votes so cast. The one pound share has the same rights as an ordinary share.

12 Reserves

	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 July 2001	114	(1,890)	(1,776)
Loss for the year	-	(5,741)	(5,741)
At 30 June 2002	114	(7,631)	(7,517)

13 Reconciliation of movements in shareholders' funds

	2002	2001
	£'000	£'000
Opening shareholders' funds	(747)	1,071
Loss on ordinary activities after tax	(5,741)	(1,818)
Closing shareholders' funds	(6,488)	(747)

14 Contingent Liabilities

The company as part of an interest set-off arrangement, has guaranteed the overdraft facilities of a number of fellow group undertakings. The maximum liability under the guarantee is limited to the credit balances in those accounts which are part of the interest set-off arrangement together with the proceeds of any items in the course of collection for the credit of such bank accounts.

The group indebtedness is secured on the undertakings of the group and on the property by way of a legal charge and certificate of registration of charge over Arboretum Gate and the lease of Castle Quay properties respectively.

15 Related Party Transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 8 for 90% owned subsidiaries not to disclose related party transactions with members of the same group.

16 Ultimate Parent Company

The company's entire issued share capital is owned by Protocol Associates NV. This company is the immediate parent undertaking.

Protocol Associates NV is the smallest and largest group to consolidate these financial statements. Protocol Associates NV is registered in the European Union. Copies of the group financial statements can be obtained from the Company Secretary, Arboretum Gate, 88-90 North Sherwood Street, Nottingham, NG1 4EE.

The ultimate parent company and controlling party is Bridgepoint Capital Group Limited. Copies of the financial statements of Bridgepoint Capital Group Limited are available at their registered office at 101 Finsbury Pavement, London, EC2A 1EJ.