PNI Holdings Limited

(Registered Number: 3897811)

Directors' Report and Accounts

Period Ended 30 June 2000

Directors' Report
For the Period Ended 30 June 2000

The directors submit their report and the audited accounts of the company and the group for the period ended 30 June 2000.

Group Structure

PNI Holdings Limited was incorporated on 16 December 1999.

On 20 December 1999 PNI Holdings Limited acquired the whole of the share capital of Protocol Systems International Limited and Protocol National Incorporated.

On 5 April 2000 PNI Holdings Limited was acquired by Protocol Associates NV, a company incorporated in Belgium, and PNI Holdings Limited transferred its investment in Protocol National Incorporated to Protocol Associates NV for nil consideration.

On 1 August 2000 the group acquired Step Direct Limited for a consideration of £0.01million. On 15 November 2000 Step Direct Limited acquired the contracts and assumed responsibility for 9 employees that comprise Employer Skills Development Service (subsequently renamed Employer Direct) for a consideration of £1million .

On 14 September 2000 the group acquired Tektra Limited for a provisional consideration of £5.5million.

On 14 September 2000 the group also acquired Harnser Associates Limited for an initial consideration of £1million. Additional contingent consideration of up to £2.3million is payable subject to the Profit Before Interest and Tax for the financial years ending 30 June 2002 and 2003.

On 18 January 2001 the group acquired Spring General Services Limited for a consideration of £46.9million.

Principal activity

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

The principal activity of the group is the provision of hardware and software technical support.

Directors

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

Company Directors Limited	(appointed and resigned 16 December 1999)
G Lennox	(appointed 16 December 1999)
R Fielding	(appointed 16 December 1999)
D Taylor	(appointed 16 December 1999, resigned 12 May 2000)
D Holme	(appointed 5 April 2000)

No director had any beneficial interest in the share capital of the company at 30 June 2000.

The interests of the directors in the shares of Protocol Associates NV at 30 June 2000, the company's parent, are disclosed in the accounts of Protocol Associates NV.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for the year. In preparing those accounts, 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers were appointed as auditors during the period and a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

R Fielding
Director
31 January 2001

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Auditors' Report to the Members of PNI Holdings Limited

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

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 group and company affairs at 30 June 2000 and of its loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham
31 January 2001

Consolidated Profit and Loss Account
For the Period Ended 30 June 2000

	2000 £'000
Turnover	290
Cost of sales	(663)
Gross profit	(373)
Administrative expenses	(471)
Operating loss *(Note 4)*	(844)
Interest payable and similar charges *(Note 5)*	(19)
Interest receivable and similar income *(Note 6)*	4
Loss on ordinary activities before taxation	(859)
Taxation *(Note 7)*	133
Loss for the financial period *(Note 18)*	(726)

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

The notes on pages 7 to 17 form part of these accounts.

The company was incorporated during the year ended 30 June 2000, therefore there are no comparative figures.

Balance Sheets as at 30 June 2000

	Group £'000	2000 Company £'000
Fixed assets		
Intangible assets *(Note 9)*	1,452	-
Tangible assets *(Note 10)*	174	-
Investments *(Note 11)*	-	31
	1,626	31
Current assets		
Debtors *(Note 12)*	3,080	1,310
Cash at bank and in hand	342	122
	3,422	1,432
Creditors – Amounts falling due within one year *(Note 13)*	(2,217)	(16)
Net current assets	1,205	1,416
Total assets less current liabilities	2,831	1,447
Creditors - Amounts falling due after more than one year *(Note 14)*	(2,414)	(376)
	417	1,071
Capital and reserves		
Called up share capital *(Note 16)*	1,029	1,029
Share premium account *(Note 18)*	114	114
Profit and loss account *(Note 18)*	(726)	(72)
Equity shareholders' funds	417	1,071

The company was incorporated during the year ended 30 June 2000, therefore there are no comparative figures.

Approved By The Board
31 January 2001

G Lennox
Director

The notes on pages 7 to 17 form part of these accounts.

Cash Flow Statement for the Period Ended 30 June 2000

	2000 £'000
Cashflow from operating activities *(Note 19)*	(682)
Returns on investments and servicing of finance *(Note 20)*	(15)
Capital expenditure and financial investment *(Note 20)*	(17)
Acquisitions and disposals *(Note 20)*	(31)
Cash outflow	(740)
Financing *(Note 20)*	1,143
Increase in cash in the period *(Note 21)*	398

Reconciliation of net cashflow to movement in net debt *(Note 21)*

Increase in cash in the year	398
Issue of shares	1,143
Change in net debt resulting from cash flows	1,541
Finance leases acquired with subsidiary	(19)
Bank overdraft acquired with subsidiary	(56)
Change in net debt and net debt at 30 June 2000	1,466

The notes on pages 7 to 17 form part of these accounts.

1 Accounting Policies

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

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The group accounts comprise a consolidation of the assets and liabilities of the company and all its subsidiaries as at 30 June 2000 and the results of their operations for the period then ended.

Fixed assets and depreciation

Fixed assets are stated at cost. Depreciation has been provided at rates appropriate to write off the cost of the assets over the shorter of the length of the finance lease (where applicable) and their estimated useful lives as follows:

Fixtures and fittings	20% per annum
Computer equipment	20% - 25% per annum

Pensions

Pension contributions which are to schemes that have characteristics of a defined contribution scheme are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation arising from timing differences between profits or losses reflected in the accounts and profits or losses calculated for tax purposes is recognised in those cases where the difference is expected to reverse in the foreseeable future.

Investments

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

Leased assets

Assets held under finance leases are capitalised as fixed assets and the corresponding leasing commitment is included in obligations under finance leases. Interest is charged to the profit and loss account over the period of the lease. Rentals under operating leases are charged against income as incurred.

2 Turnover

Turnover represents amounts invoiced to customers, net of value added tax, in respect of the group's principal activity.

3 *Staff Numbers and Costs*

The average number of persons employed by the group during the year was 50.

The aggregate payroll costs of these persons were as follows:

	2000
	£'000
Wages and salaries	640
Social security costs	66
Other pension costs (see note 23)	50
	756

4 *Operating loss*

			2000
			£'000
Loss on ordinary activities before taxation is stated after charging:			
Depreciation	- owned assets		19
	- assets held under finance leases		16
Auditors' remuneration	-	group	6
	-	company	2

Auditors' remuneration for non-audit services provided to the company amounted to £43,000.

5 *Interest Payable and Similar Charges*

	2000
	£'000
Bank interest payable	19

6 *Interest Receivable and Similar Income*

	2000 *£'000*
Bank interest receivable	4

7 *Taxation*

There is no corporation tax liability for the year. There is no provided or unprovided deferred tax liability.

Payment of £133,000 is receivable by the group for its share of Protocol Systems International Limited corporation tax losses surrendered to Protocol National Limited.

8 *Directors' Emoluments*

	1999 *£'000*
Directors' aggregate emoluments	65
Company contributions paid to money purchase schemes	3

9 *Intangible Assets*

Goodwill	***Group*** ***£'000***
Cost	
Acquisitions	1,613
At 30 June 2000	1,613
Amortisation	
Charge for the period	161
At 30 June 2000	161
Net book amount	
At 30 June 2000	1,452

10 Tangible Assets

	Computer Equipment £'000	Fixtures and fittings £'000	Group Total £'000
Cost			
Acquisition	191	103	294
Additions	6	11	17
At 30 June 2000	197	114	311
Depreciation			
Acquisition	70	32	102
Charge for the period	25	10	35
At 30 June 2000	95	42	137
Net book amount			
At 30 June 2000	102	72	174

Included within the above are assets held under finance leases at a cost of £1,343,000 and accumulated depreciation of £1,171,000.

Included within the above are assets held by the group for rental with a cost of £416,938 and accumulated depreciation of £362,426.

At 30 June 2000 the group had no capital commitments.

11 Investments in Subsidiaries

	£'000
Cost and net book value – Company	
Additions and at 30 June 2000	31

Details of group undertakings during the period are as follows:

Name	*Nature of business*
Protocol Systems International Limited	Provision of hardware and software technical support
Protocol National Incorporated	Provision of integrated college management information systems in the USA

Protocol Systems International Limited, a company incorporated and operating in Great Britain, is wholly owned by PNI Holdings Limited. It was acquired from a fellow group company, Protocol National Limited on 20 December 1999 for nil consideration. At that same date, Protocol National Incorporated, a company incorporated and operating in the USA, was also acquired for nil consideration from another group company, ELS Group Limited.

The cost of investment represents the capitalisation of the costs incurred during the change of ownership, and these are materially attributed to the acquisition of Protocol Systems International Limited.

Protocol National Incorporated was transferred to Protocol Associates NV, the ultimate parent of the group, on 5 April 2000, also for nil consideration.

12 Debtors

	Group	*2000 Company*
	£'000	*£'000*
Trade debtors	77	-
Other taxes and social security	4	4
Amounts owed by group companies	2,766	1,306
Prepayments and accrued income	233	-
	3,080	1,310

13 Creditors - Amounts falling due within one year

	Group	*2000 Company*
	£'000	*£'000*
Trade creditors	198	-
Obligations under finance leases	19	-
Amounts due to group undertakings	1,780	-
Other taxes and social security	21	-
Accruals and deferred income	199	16
	2,217	16

14 Creditors - Amounts falling due after more than one year

	2000
	£'000
Term loan to a fellow group company	2,414

The amount repayable includes interest of £19,000 which is rolled over quarterly at 10% per annum. The beneficiary of the loan is Protocol Associates NV.

15 Operating Lease Commitments

At 30 June the company had annual commitments payable under non-cancelable operating leases as follows:

	2000 £'000
Leases which expire in less than one year	6
Between one and five years	84
	90

16 Share capital

Authorised, Allotted and fully paid

		2000 £
Equity		
999,999	Ordinary shares of 90p each	899,999
142,857	'A' ordinary shares of 90p each	128,571
1	One pound share	1
		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.

17 Acquisitions

On 20 December 1999 the company acquired 100% of Protocol Systems International Limited for nil consideration.

The assets and liabilities of the company acquired are set out below:

	Book value *£'000*	*Adjustments* *£'000*	*Fair value* *£'000*
Tangible fixed assets	192	-	192
Current assets			
Debtors	76	-	76
Current Liabilities			
Bank overdraft	(56)	-	(56)
Creditors	(1,794)	-	(1,794)
Net liabilities	(1,582)		(1,582)
Goodwill			1,613
			31
Satisfied by:			
Cash (including costs of acquisition)			31

Results

The results of the acquired company are as set out below:

	Period 1 July to 20 December 1999 *£'000*
Turnover	452
Operating loss	(1,021)
Loss on ordinary activities before taxation	(1,021)
Tax on profit on ordinary activities	219
Loss attributable to shareholders	(802)

The loss after tax of the acquired company for the year ended 30 June 1999 was £814,000.

There are no gains and losses other than those disclosed above and therefore no separate statement of total recognised gains and losses has been presented.

18 Reserves

Group

	Share premium account £'000	*Profit and loss account £'000*	*Total £'000*
Premium on issue of share capital	114	-	114
Loss for the year	-	(726)	(726)
At 30 June 2000	114	(726)	(612)

Company

	Share premium account £'000	*Profit and loss account £'000*	*Total £'000*
Premium on issue of share capital	114	-	114
Loss for the year	-	(72)	(72)
At 30 June 2000	114	(72)	42

19 Reconciliation of Operating Loss to Operating Cash Flows

	2000 £'000
Operating loss	(844)
Amortisation of goodwill	161
Depreciation charge	35
Decrease in debtors	(1,411)
Decrease in creditors	1,377
Net cash inflow from operating activities	(682)

20 *Analysis of Cash Flows for Headings Netted in the Cash Flow Statement*

		2000
	£'000	**£'000**
Returns on investment and servicing of finance		
Interest received	4	
Interest paid	(19)	
Net cash outflow from returns on investments and servicing of finance		(15)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(17)
Acquisitions		
Purchase of subsidiary undertaking *(Note 17)*		(31)
Financing		
Issue of ordinary share capital		1,143

21 *Analysis of Net Debt*

	Cash Flow £'000	**Acquisition £'000**	**At 30 June 2000 £'000**
Cash at bank and in hand	342	-	342
Overdrafts	56	(56)	-
	398	(56)	342
Issue of shares	1,143	-	1,143
Finance leases	-	(19)	(19)
Total	1,541	(75)	1,466

22 *Reconciliation of Movements in Shareholders' Funds*

	Group £'000	2000 Company £'000
Loss on ordinary activities after tax	(726)	(72)
Issue of share capital	1,143	1,143
Net addition to shareholders' funds	417	1,071
Opening shareholders' funds	-	-
Closing shareholders' funds	417	1,071

23 *Pensions*

A defined contribution scheme is in operation with Clerical Medical where the company contributes a fixed contribution to individual employees schemes, but has no further liability to provide retirement benefits once the employee is no longer employed by the company. The group share of contributions during the year amounted to £50,000.

24 *Related Party Transactions*

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

25 *Post Balance Sheet Events*

On 1 August 2000 the group acquired Step Direct Limited for a consideration of £0.01million. On 15 November 2000 Step Direct Limited acquired the contracts and assumed responsibility for 9 employees that comprise Employer Skills Development Service (subsequently renamed Employer Direct) for a consideration of £1million .

On 14 September 2000 the group acquired Tektra Limited for a provisional consideration of £5.5million.

On 14 September 2000 the group also acquired Harnser Associates Limited for an initial consideration of £1million. Additional contingent consideration of up to £2.3million is payable subject to the Profit Before Interest and Tax for the financial years ending 30 June 2002 and 2003.

On 18 January 2001 the group acquired Spring General Services Limited for a consideration of £46.9million.

26 *Parent Company*

The immediate parent company is Protocol Associates NV, a company incorporated in Belgium. A copy of the Protocol Associates NV accounts can be obtained from the Company Secretary, Bourgetlaan 40, 1130 Brussels, Belgium. The ultimate parent company is Bridgepoint Capital Limited.