

# **PNI Holdings Limited**

*Registered Number: 3897811*

## **Directors' Report and Accounts**

**Year ended 30 June 2004**



The directors submit their report and the audited financial statements of the Company for the year ended 30 June 2004.

***Principal activity and review of business***

As a sub-holding Company, PNI Holdings Limited has incurred administrative costs and interest payable, but has no trading activity in the year.

The directors do not recommend the payment of a dividend (2003: £nil).

***Holding Company support***

Protocol Associates NV, the Protocol group holding Company, have agreed to support the Company for the foreseeable future.

***Directors***

The directors of the Company who held office during the year and subsequently were:

J Rowley  
G Stevens

No director had any beneficial interest in the share capital of the Company at 30 June 2004 or 30 June 2003.

The interests of the directors in the shares of Protocol Associates NV, the Company's immediate 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 period ended 30 June 2004 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 LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

**By order of the Board**



G Stevens  
***Director***  
27 April 2005

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 report, including the opinion, has been prepared for and only for the Company's members as a body 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 into 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
East Midlands  
27 April 2005

**Profit and Loss Account for the Year Ended 30 June 2004***Page 4*

	<i>Note</i>	<i>2004 £'000</i>	<i>2003 £'000</i>
Administrative expenses		(17)	(60)
Exceptional costs	3	-	(120)
<b>Operating loss</b>	3	<b>(17)</b>	<b>(180)</b>
Interest receivable and similar income	4	183	514
Interest payable and similar charges	5	(5,882)	(5,682)
<b>Loss on ordinary activities before taxation</b>		<b>(5,716)</b>	<b>(5,348)</b>
Taxation	6	1,258	(249)
<b>Loss for the financial year</b>	13, 14	<b>(4,458)</b>	<b>(5,597)</b>

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

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


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

**Balance Sheet as at 30 June 2004**

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	<i>Note</i>	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
<b>Fixed assets</b>			
Investments	7	11,468	11,468
<b>Current assets</b>			
Debtors	8	54,352	53,209
Cash at bank and in hand		1,580	4,165
		<b>55,932</b>	<b>57,374</b>
Creditors – Amounts falling due within one year	9	(16,857)	(18,013)
<b>Net current assets</b>		<b>39,075</b>	<b>39,361</b>
<b>Total assets less current liabilities</b>		<b>50,543</b>	<b>50,829</b>
Creditors - Amounts falling due after more than one year	10	(66,736)	(62,914)
Provision for liabilities and charges	11	(350)	-
<b>Net liabilities</b>		<b>(16,543)</b>	<b>(12,085)</b>
<b>Capital and reserves</b>			
Called up share capital	12	1,029	1,029
Share premium account	13	114	114
Profit and loss account	13	(17,686)	(13,228)
<b>Equity shareholders' deficit</b>	14	<b>(16,543)</b>	<b>(12,085)</b>

Approved by the Board  
27 April 2005

  
J Rowley  
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 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).

### **Going concern**

The financial statements have been prepared on a going concern basis as Protocol Associates NV, the Protocol group holding company, have agreed to support the Company for the foreseeable future.

### **Cash flow statement**

The Company is exempt from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Protocol Associates NV, a Company registered in Belgium which prepares consolidated accounts which are publicly available. In addition the Company takes advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 for the same reason.

### **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 more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Investments**

The Company's investments in subsidiaries are stated at cost less any impairment provision for diminution in value. Impairments are made if a diminution in value is considered to be permanent.

### **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 year.

## **2 Employees**

The average number of persons employed by the Company (all directors) during the year was 2 (2003: 2).

The total emoluments of the directors, including pension contributions was £nil (2003: £nil).

Directors emoluments in respect of services to the Company are borne by Protocol Systems Limited, another group Company, and such emoluments are shown in the financial statements of that Company. Copies of these financial statements can be obtained from the Company Secretary Unit 9C, Redbrook Business Park, Wilthorpe Road, Barnsley, S75 1JN.

**3 Operating loss**

Operating loss is stated after charging:

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Auditors' remuneration		
- for audit work	2	1
- for other services	-	2
Exceptional item		
- Legal costs in respect of settlements with former directors (£17,000), disposal of a group investment (£67,000) and other reorganisations (£36,000)	-	120

**4 Interest Receivable and Similar Income**

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Bank interest	183	514

**5 Interest Payable and Similar Charges**

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Bank interest	1,982	2,193
Amortisation of issue costs	221	221
Loan note interest	3,532	3,209
Intercompany interest	51	-
Bank charges	96	59
	<b>5,882</b>	<b>5,682</b>

**6 Taxation**

The tax (credit)/charge, based on the loss for the year, comprises:

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
UK Corporation tax at 30% (2003: 30%)	(622)	(2)
(Over)/under provision in respect of prior years	(636)	251
	<b>(1,258)</b>	<b>249</b>

There is no actual or potential deferred tax liability (2003: £nil).

The corporation tax debtor has been adjusted by the group relief of losses surrendered to Protocol National Limited for which payment of £622,000 (2003: £2,000 surrendered to Protocol Skills Limited) is receivable.



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

The tax assessed for the year differs from the 30% standard rate of corporation tax in the UK. The differences are explained below:

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Loss on ordinary activities before tax	(5,716)	(5,348)
Loss on ordinary activities multiplied by 30% standard rate of corporation tax in the UK	(1,715)	(1,604)
<i>Effects of:</i>		
Permanent differences	3	15
Adjustments in respect of previous years	(636)	251
Other timing differences	1,090	1,587
<b>Actual tax on loss on ordinary activities</b>	<b>(1,258)</b>	<b>249</b>

**7 Investments**

	<b>£'000</b>
<b>Cost and net book value</b>	
At 1 July 2003 and at 30 June 2004	11,468

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

<b>Name</b>	<b>Nature of business</b>
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
Protocol Learning Limited	Intermediate holding Company of Protocol Skills Limited
Protocol Recruitment Limited	Non-trading subsidiary
Harnser Associates Limited	Dormant Company

**8 Debtors**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Amounts owed by group companies	54,352	53,209

**9 Creditors - Amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	-	3
Bank loans (note 10)	3,147	3,627
Amounts due to group undertakings	13,612	13,930
Accruals and deferred income	98	453
	<b>16,857</b>	<b>18,013</b>

**10 Creditors - Amounts falling due after more than one year**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Loan notes	45,342	41,810
Bank loans	20,847	20,608
Term loan to a fellow group Company	547	496
	<b>66,736</b>	<b>62,914</b>

The term loan to a fellow group Company includes interest of £51,000 for 2004 (2003: £49,900) which is rolled over quarterly at a rate of 10% per annum. The beneficiary of the loan is Protocol Associates NV.

**Maturity of Debt**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less, or on demand	3,147	3,627
In more than one year, but not more than two years	4,778	6,033
In more than two years, but not more than five years	16,069	14,575
In more than five years	-	-
<b>Total instalment debt</b>	<b>23,994</b>	<b>24,235</b>
Loan notes repayable otherwise than by instalments	45,342	41,810
<b>Total borrowings</b>	<b>69,336</b>	<b>66,045</b>

**10 Creditors - Amounts falling due after more than one year (cont'd.)****Terms of repayment**

With respect to the £45,342,000 of unsecured loan notes falling due after more than one year, payment becomes due on a takeover or Listing. The Company also has the option of repaying the loan note at 30 days notice.

Bank loans, which are stated net of issue costs released to the Profit and Loss Account over the life of the loans, are as follows:

Tranche A amounting to £16,921,645 is repayable in instalments which commenced 31 March 2003.

Tranche B amounting to £2,067,148 is repayable in full on 31 March 2006.

Tranche C amounting to £5,005,000 is repayable in two equal instalments on 30 June 2007 and 31 December 2007.

In accordance with FRS 4, bank loans are stated after an arrangement fee of £1,116,000 which is being amortised over the period of the loans. The charge in the current year was £221,000 (2003: £221,000).

**Rates of interest payable**

With respect to £39,568,000 of loan notes repayable otherwise than by instalments, interest is added to the principal of the loan notes in arrears on 30 June and 31 December. One half of all interest is accrued in arrears at a rate of 8%, with the remaining half being accrued in arrears at 12% per annum.

With respect to £5,774,000 of loan notes repayable otherwise than by instalments, interest is added to the principal of the loan notes in arrears on 31 March and 30 September. Interest is accrued in arrears at 8% per annum.

With respect to bank loans, interest is payable at rates between 2.25% and 3.5% above LIBOR.

**11 Provision for liabilities and charges**

	2004 £'000	2003 £'000
Contingent fees	350	-

Provision for liabilities and charges represents professional fees of £350,000 payable to Bridgepoint Capital (Nominees) Limited on disposal of the group (note 18).

**12 Share Capital**

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
<i>Authorised, allotted and fully paid</i>		
<i>Equity</i>		
999,999 Ordinary shares of 90p each	900	900
142,857 'A' ordinary shares of 90p each	129	129
1 £1 share	-	-
	<b>1,029</b>	<b>1,029</b>

**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 quarters of all votes so cast. The one pound share has the same rights as an ordinary share.

**13 Reserves**

	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 July 2003	114	(13,228)	(13,114)
Loss for the financial year	-	(4,458)	(4,458)
<b>At 30 June 2004</b>	<b>114</b>	<b>(17,686)</b>	<b>(17,572)</b>

**14 Reconciliation of movements in shareholders' funds**

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Opening shareholders' funds	(12,085)	(6,488)
Loss for the financial year	(4,458)	(5,597)
<b>Closing shareholders' deficit</b>	<b>(16,543)</b>	<b>(12,085)</b>

**15 Deferred tax**

Deferred tax assets have not been provided as follows:

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Losses	2,805	2,371
Other timing differences	14	11
	<b>2,819</b>	<b>2,382</b>

**16 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 totals £28,396,000 at 30 June 2004 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.

Bank debt is secured by fixed and floating charges across the undertakings of the group.

**17 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.

**18 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, Unit 9C, Redbrook Business Park, Wilthorpe Road, Barnsley, S75 1JN.

Bridgepoint Capital (Nominees) Limited have a majority shareholding in Protocol Associates NV. This shareholding is for the benefit of a number of investment vehicles administered by Bridgepoint Capital Limited. In the opinion of the directors there is no ultimate controlling party. Copies of the financial statements of these companies are available at their registered office at 101 Finsbury Pavement, London, EC2A 1EJ.