

PNI Holdings Limited

Registered Number: 3897811

Directors' Report and Accounts

Year ended 30 June 2006

WEDNESDAY



AD0LJM3G

A43

10/01/2007

33

COMPANIES HOUSE

The directors submit their report and the audited financial statements of the company for the year ended 30 June 2006.

Principal activity, review of business and future developments

As a sub-holding company, PNI Holdings Limited has incurred administrative costs and interest payable, but has no trading activity in the year. This will continue for the foreseeable future.

The directors do not recommend the payment of a dividend (2005: £nil).

Holding company support

Protocol Associates NV, the Protocol group holding company, has agreed to support the company for the foreseeable future.

Directors

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

G Stevens

S Burgess

No director had any beneficial interest in the share capital of the company at 30 June 2006 or 30 June 2005.

S Burgess has no interest in the shares of Protocol Associates NV. The interests of G Stevens in the shares of Protocol Associates NV, the company's ultimate parent company at 30 June 2006, are disclosed in the accounts of Protocol Associates NV.

Financial Risk Management

Liquidity risk and interest rate risk are considered to be significant exposures for the company. The company manages its liquidity risk by preparing appropriate cash flow forecasts to ensure that suitable facilities are available to settle ongoing needs. The interest rate exposure of the company is a feature of the current borrowing arrangements of the group, which are subject to a mixture of interest rates that the company cannot actively manage within the current repayment periods. The company is seeking to manage its overall interest risk by reducing overall debt levels in order to lower the total exposure to the company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice 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 2006 and that applicable accounting standards have been followed. The business continues to review its ongoing banking arrangements as referred to in the basis of preparation in Note 1 of the accounts. The directors are of the opinion 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.

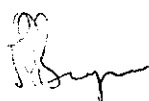
So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



S Burgess

Director

30 November 2006

We have audited the financial statements of PNI Holdings Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers UK

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
30 November 2006

Profit and loss account for the year ended 30 June 2006*Page 5*

	<i>Note</i>	<i>2006 £'000</i>	<i>2005 £'000</i>
Administrative expenses		(6)	(3)
Operating loss	3	(6)	(3)
Interest receivable and similar income	4	2	118
Interest payable and similar charges	5	(6,660)	(6,418)
Loss on ordinary activities before taxation		(6,664)	(6,303)
Taxation	6	1,086	1,118
Loss for the financial year	13, 14	(5,578)	(5,185)

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.

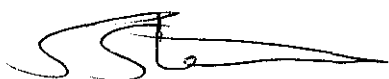
There are no recognised gains or losses other than the loss for the year shown above. All operations are continuing operations.

The notes on pages 7 to 13 form part of these financial statements.

Balance sheet as at 30 June 2006*Page 6*

	<i>Note</i>	2006 £'000	2005 £'000
<i>Fixed assets</i>			
Investments	7	11,468	11,468
<i>Current assets</i>			
Debtors	8	49,973	50,005
Creditors - amounts falling due within one year	9	(31,703)	(13,882)
Net current assets		18,270	36,123
Total assets less current liabilities		29,738	47,591
Creditors - amounts falling due after more than one year	10	(56,694)	(68,969)
Provision for liabilities and charges	11	(350)	(350)
Net liabilities		(27,306)	(21,728)
<i>Capital and reserves</i>			
Called up share capital	12	1,029	1,029
Share premium account	13	114	114
Profit and loss account	13	(28,449)	(22,871)
Equity shareholders' deficit	14	(27,306)	(21,728)

Approved by the Board
30 November 2006



G Stevens
Director

The notes on pages 7 to 13 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 18 (FRS 18).

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.

Basis of preparation

As in the previous year the company continues to be in breach of certain banking covenants. The group's bankers have indicated to the directors that it is their intention to continue to support the group by continuing to provide current debt and working capital facilities until their current expiry date.

Furthermore, and acknowledging scheduled bank loan repayments arising from the last banking renegotiation are due for repayment by 31 December 2006 and 30 June 2007 (shown in note 9 to the accounts) neither the directors nor the bank envisage any reason why sufficient new facilities will not be made available from 1 January 2007, extending for a period of at least twelve months from that date.

In the previous year, the directors also assumed that a material liability would not arise from a review by HMRC of the VAT status of Education Lecturing Services (limited by guarantee), a fellow group company. This review has found in the company's favour and there is no longer a material risk for the Group. Further details are included in note 16 of these accounts.

The group holding company has agreed to support the company for its foreseeable future.

The financial statements have therefore been prepared by the directors on a going concern basis which assumes the continued support of the group's bankers by way of existing loan and overdraft facilities. In the absence of this assumption, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and current liabilities.

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.

2 Employees

The average number of persons employed by the company (all directors) during the year was 2 (2005: 2).

The total emoluments of the directors, including pension contributions was £nil (2005: £nil).

Directors emoluments in respect of services to the company for the year ended 30 June 2006 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. The directors receive no emoluments for services to this company.

3 Operating loss

Operating loss is stated after charging:

	2006 £'000	2005 £'000
Auditors' remuneration - for audit work	2	2
- for other services	7	1

4 Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest	2	118

5 Interest payable and similar charges

	2006 £'000	2005 £'000
Bank interest	1,774	1,929
Amortisation of issue costs	187	209
Loan note interest	4,295	3,887
Intercompany interest	63	57
Bank charges	341	336
	6,660	6,418

6 Taxation

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

	2006 £'000	2005 £'000
UK Corporation tax at 30% (2005: 30%)	(1,019)	(1,100)
Over provision in respect of prior years	(67)	(18)
	(1,086)	(1,118)

There is no actual or potential deferred tax liability (2005: £nil).

The corporation tax debtor has been adjusted by the group relief of losses surrendered to Tektra Limited, Protocol Education Limited and Protocol Skills Limited for which payment of £1,086,000 (2005: £1,118,000 surrendered to Tektra Limited, Protocol Education Limited and Protocol Skills Limited) is receivable.

Factors affecting tax charge for the year

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

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	(6,664)	(6,303)
Loss on ordinary activities multiplied by 30% standard rate of corporation tax in the UK	(1,999)	(1,891)
Effects of:		
Adjustments in respect of previous years	(67)	(18)
Other timing differences	980	791
Actual tax on loss on ordinary activities	(1,086)	(1,118)

7 Investments

	£'000
Cost and net book value	
At 1 July 2005 and at 30 June 2006	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
Protocol Learning Limited	Intermediate holding company of Protocol Skills Limited
Protocol Recruitment Limited	Dormant company
Harnser Associates Limited	Dormant company

8 Debtors

	2006	2005
	£'000	£'000
Amounts owed by group companies	49,973	50,005

9 Creditors - amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft	5,198	2,168
Bank loans (note 10)	17,168	2,699
Trade creditors	2	-
Amounts due to group undertakings	8,896	8,897
Accruals and deferred income	439	118
	31,703	13,882

The Group's ability to meet the bank loan repayments is referred to in note 1.

10 Creditors - amounts falling due after more than one year

	2006	2005
	£'000	£'000
Loan notes	53,524	49,229
Bank loans	2,503	19,136
Term loan to a fellow group company	667	604
	56,694	68,969

The term loan to a fellow group company includes interest of £63,000 for 2006 (2005: £57,000) which is rolled over quarterly at a rate of 10% per annum. The beneficiary of the loan is Protocol Associates NV.

Maturity of Debt

	2006	2005
	£'000	£'000
In one year or less, or on demand	22,366	4,867
In more than one year, but not more than two years	2,503	16,634
In more than two years, but not more than five years	-	2,502
In more than five years	667	604
Total instalment debt	25,536	24,607
Loan notes repayable otherwise than by instalments	53,524	49,229
Total borrowings	79,060	73,836

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

With respect to the £53,524,000 of unsecured loan notes falling due otherwise than by instalments, 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 is repayable in instalments which commenced 31 March 2005. At 30 June 2006 a balance of £11,598,980 was outstanding, and is repayable by 31 December 2006.

Tranche B amounting to £3,067,148 is repayable in full on 31 December 2006.

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

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 £187,000 (2005: £209,000).

Rates of interest payable

With respect to £46,769,000 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 £6,755,000 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.

Bank loans are also held by a fellow group subsidiary. Interest is payable at a fixed rate of 4.73% on £25million of total group bank loan balances outstanding. Interest is payable at rates between 2.25% and 3.5% above LIBOR on the remaining group bank loan balances.

11 Provision for liabilities and charges

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Contingent fees	350	350

Provision for liabilities and charges represents professional fees of £350,000 payable to Bridgepoint Capital (Nominees) Limited which have been deferred until disposal of the group.

12 Share capital

	2006 £'000	2005 £'000
<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	-	-
	1,029	1,029

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 2005	114	(22,871)	(22,757)
Loss for the financial year	-	(5,578)	(5,578)
At 30 June 2006	114	(28,449)	(28,335)

14 Reconciliation of movements in shareholders' deficit

	2006 £'000	2005 £'000
Opening shareholders' deficit	(21,728)	(16,543)
Loss for the financial year	(5,578)	(5,185)
Closing shareholders' deficit	(27,306)	(21,728)

15 Deferred tax

Deferred tax assets have not been provided as follows:

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Losses	4,430	3,438
Other timing differences	-	30
	4,430	3,468

16 Contingent liabilities

The group, as part of an interest set-off arrangement, has guaranteed the overdraft facilities of subsidiary companies. The maximum liability under the guarantee is limited to the credit balances in those accounts which totals £35,030,000 at 30 June 2006 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 held by the group is secured by fixed and floating charges across the undertakings of the group. Significant repayments of this bank debt are due within one year and this is further commented on in note 1 to these accounts.

The VAT position of the Group is necessarily complex as a result of the sectors in which it operates. During the year, the existing VAT status of Education Lecturing Services (limited by guarantee) a fellow group company, was withdrawn and an alternative basis has been subsequently agreed with HMRC which allows for the charging of services without material levels of VAT being applied. The most significant matter has now been satisfactorily resolved and the directors are of the view that VAT legislation has been correctly applied and the risk of further reviews being successfully pursued by HMRC is low. Therefore no additional provisions for VAT liabilities are considered necessary.

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 30 Warwick Street, London, W1B 5AL.