PNI Holdings Limited

Registered Number: 3897811

Directors' Report and Accounts

Year ended 30 June 2007

Directors' report for the year ended 30 June 2007

The directors submit their report and the audited financial statements of the company for the year ended 30 June 2007

Principal activity, review of business and future developments

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

The results for the company show a loss before tax of £356,000 *(2006 £6,664,000)*

The directors do not recommend the payment of a dividend *(2006 £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 (resigned 31 December 2007)
S Burgess
D Lewis (appointed 29 November 2007)

No director had any beneficial interest in the share capital of the company at 30 June 2007 or 30 June 2006

S Burgess has no interest in the shares of Protocol Associates NV The interests of G Stevens and D Lewis in the shares of Protocol Associates NV, the company's ultimate parent company at 30 June 2007, 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

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 period

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and 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 taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

So far as the directors at the date of this report are aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware
The directors have taken all the steps that they ought to have taken as directors in order to make themselves 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
22 May 2008

D Lewis
Director

Independent auditors' report to the members of PNI Holdings Limited

We have audited the financial statements of PNI Holdings Limited for the year ended 30 June 2007 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 2007 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 LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
27 May 2008

Profit and loss account for the year ended 30 June 2007

	Note	2007 £'000	2006 £'000
Administrative expenses		(11)	(6)
Operating loss	3	**(11)**	**(6)**
Impairment of an investment	7	(5,771)	-
Interest receivable and similar income	4	13,115	2
Interest payable and similar charges	5	(7,689)	(6,660)
Loss on ordinary activities before taxation		**(356)**	**(6,664)**
Taxation	6	-	1 086
Loss for the financial year	13, 14	**(356)**	**(5,578)**

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 13 form part of these financial statements

Balance sheet as at 30 June 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	7	5,697	11,468
Current assets			
Debtors	8	48,886	49,973
Cash at bank		6,103	-
Creditors – amounts falling due within one year	9	(28,989)	(31,703)
Net current assets		**26,000**	**18,270**
Total assets less current liabilities		**31,697**	**29,738**
Creditors – amounts falling due after more than one year	10	(59,009)	(56 694)
Provision for liabilities and charges	11	(350)	(350)
Net liabilities		**(27,662)**	(27,306)
Capital and reserves			
Called up share capital	12	1,029	1,029
Share premium account	13	114	114
Profit and loss account	13	(28,805)	(28 449)
Shareholders' deficit	14	**(27,662)**	**(27,306)**

Approved by the Board
22 May 2008

S Burgess
Director

The notes on pages 6 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 group continues to be in breach of certain banking covenants Significant debt was repaid to the bank by the Group in September 2007 following the sale of the entire share capital of Protocol Skills Limited Revised facilities have since agreed with the bank which are due for repayment in April 2009 Neither the directors nor the bank envisage any reason why sufficient new facilities will not be made available from April 2009

In the previous year, the directors stated that a review by HMRC of the VAT status of Education Lecturing Services (limited by guarantee), a fellow group company, had found in the company's favour and there was no longer a material risk for the Group Education Lecturing Services has adopted an alternative basis for accounting for VAT 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

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

The financial statements have therefore been prepared by the directors on a going concern basis

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

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 *(2006 2)*

The total emoluments of the directors, including pension contributions was £nil *(2006 £nil)*

Directors emoluments in respect of services to the company for the year ended 30 June 2007 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, Castle Marina Road, Castle Marina Park, Nottingham, NG7 1TN The directors receive no emoluments for services to this company

3 *Operating loss*

Operating loss is stated after charging		***2007***	***2006***
		£'000	***£'000***
Auditors' remuneration	- for audit work	2	2
	- for other services	7	4

4 *Interest receivable and similar income*

	2007	***2006***
	£'000	***£'000***
Bank interest	-	2
Dividend received from subsidiaries	13,115	-

5 *Interest payable and similar charges*

	2007	***2006***
	£'000	***£'000***
Bank interest	1,880	1 774
Amortisation of issue costs	-	187
Loan note interest	4,749	4 295
Intercompany interest	69	63
Bank charges	991	341
	7,689	**6,660**

6 *Taxation*

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

	2007 £'000	2006 £'000
UK Corporation tax at 30% *(2006 30%)*	-	(1,019)
Over provision in respect of prior years	-	(67)
	-	**(1,086)**

There is no actual or potential deferred tax liability *(2006 £nil)*

The company has surrendered the benefit of tax losses amounting to £4,704,000 to fellow subsidiary undertakings without receiving any payment

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

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(356)	(6,664)
Loss on ordinary activities multiplied by 30% standard rate of corporation tax in the UK	(107)	(1 999)
Effects of		
Adjustments in respect of previous years	-	(67)
Permanent differences	(1,847)	
Other timing differences	543	980
Group relief	1,411	
Actual tax on loss on ordinary activities	**-**	**(1,086)**

7 *Investments*

	2007 *£'000*	*2006* *£'000*
Cost	11,468	11,468
Write down	(5,771)	-
Net book value	**5,697**	**11,468**

Write down of investments relates to the carrying value of Tektra limited which can no longer be supported
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 head office services
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*

	2007 *£'000*	*2006* *£'000*
Amounts owed by group companies	48 886	49 973

9 *Creditors - amounts falling due within one year*

	2007 *£'000*	*2006* *£'000*
Bank overdraft	-	5 198
Bank loans *(note 10)*	19,171	17,168
Trade creditors	1	2
Amounts due to group undertakings	8,896	8,896
Accruals and deferred income	921	439
	28,989	**31,703**

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

	2007 *£'000*	*2006* *£'000*
Loan notes	58,273	53,524
Bank loans	-	2 503
Term loan to a fellow group company	736	667
	59,009	**56,694**

The term loan to a fellow group company includes interest accrued in the year of £69,000 *(2006 £63,000)* which is rolled over quarterly at a rate of 10% per annum The beneficiary of the loan is Protocol Associates NV

Maturity of Debt	*2007* *£'000*	*2006* *£'000*
In one year or less, or on demand	19,171	22,366
In more than one year, but not more than two years	-	2,503
In more than two years, but not more than five years	-	
In more than five years	736	667
Total instalment debt	**19,907**	**25,536**
Loan notes repayable otherwise than by instalments	58,273	53,524
Total borrowings	**78,180**	**79,060**

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

Terms of repayment

With respect to the £58,273,000 of unsecured loan notes falling due otherwise than by instalments, payment become 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 2006 At 30 June 2007 a balance of £11,098,980 was outstanding, and is repayable by 31 July 2007

Tranche B amounting to £3,067,148 is repayable in full on 31 July 2007

Tranche C amounting to £5,005,000 is repayable in full on 31 July 2007

The company repaid the full value of the bank loans on 27 September 2007 following the successful sale by the Group of Protocol Skills Limited

Rates of interest payable

With respect to £50,967,000 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 £7,306,000 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

	2007 £'000	*2006 £'000*
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

Authorised, allotted and fully paid	*2007 £'000*	*2006 £'000*
Equity		
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

	Share premium account £'000	*Profit and loss account £'000*	*Total £'000*
At 1 July 2006	114	(28,449)	**(28,335)**
Loss for the financial year	-	(356)	**(356)**
At 30 June 2007	**114**	**(28,805)**	**(28,691)**

14 Reconciliation of movements in shareholders' deficit

	2007	*2006*

	£'000	£'000
Opening shareholders' deficit	(27,306)	(21,728)
Loss for the financial year	(356)	(5,578)
Closing shareholders' deficit	**(27,662)**	**(27,306)**

15 Deferred tax

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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 assets have not been provided as follows

	2007 *£'000*	*2006* *£'000*
Losses	5,000	4,430
Other timing differences	-	-
	5,000	**4,430**

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 £32,951,000 at 30 June 2007 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 in April 2009

The VAT position of the Group is necessarily complex as a result of the sectors in which it operates The existing VAT status of Protocol National, a fellow group company, has been confirmed by HMRC The VAT status of Education Lecturing Services (limited by guarantee) a fellow group company, was withdrawn and an alternative basis was adopted which allows for the charging of services without material levels of VAT being applied
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, Castle Marina Road, Castle Marina Park, Nottingham, NG7 1TN

Bridgepoint Capital (Nominees) Limited have a majority shareholding in Protocol Associates NV This shareholding is for the benefit of a number of investment vehicles managed 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