

PNI Holdings Limited

Registered Number: 3897811

Annual Report and Financial Statements

for the year ended 30 June 2008

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COMPANIES HOUSE

The directors submit their report and the audited financial statements of the company for the year ended 30 June 2008.

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 results for the company show a loss before tax of £5,480,000 (2007: £356,000).

The directors do not recommend the payment of a dividend (2007: £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:

S Burgess (resigned 4 September 2008)
D Lewis (appointed 29 November 2007)
G Stevens (resigned 31 December 2007)
M Kelly (appointed 9 December 2008)

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;
- 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

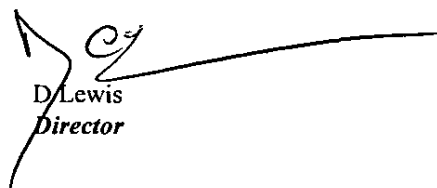
In the case of each director in office at the date the directors' report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken 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
23 April 2009


D Lewis
Director

We have audited the financial statements of PNI Holdings Limited for the year ended 30 June 2008 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

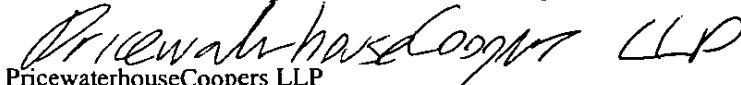
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 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
Chartered Accountants and Registered Auditors
East Midlands

23 April 2009

Profit and loss account for the year ended 30 June 2008*Page 4*

	<i>Note</i>	2008 £'000	2007 £'000
Administrative expenses		(20)	(11)
Operating loss	3	(20)	(11)
Impairment of an investment	7	-	(5,771)
Interest receivable and similar income	4	483	13,115
Interest payable and similar charges	5	(5,943)	(7,689)
Loss on ordinary activities before taxation		(5,480)	(356)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	13, 14	(5,480)	(356)

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, and therefore no separate statement of total gains and losses has been presented. All operations are continuing operations.

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

Balance sheet as at 30 June 2008

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	<i>Note</i>	2008 £'000	2007 £'000
<i>Fixed assets</i>			
Investments	7	5,697	5,697
<i>Current assets</i>			
Debtors	8	23,537	48,886
Cash at bank		4,733	6,103
Creditors – amounts falling due within one year	9	(2,416)	(28,989)
Net current assets		25,854	26,000
Total assets less current liabilities		31,551	31,697
Creditors – amounts falling due after more than one year	10	(64,343)	(59,009)
Provision for liabilities and charges	11	(350)	(350)
Net liabilities		(33,142)	(27,662)
<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	(34,285)	(28,805)
Total Shareholders' deficit	14	(33,142)	(27,662)

Approved by the Board
23 April 2009



M Kelly
Director

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

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The following accounting policies have been applied in dealing with items which are considered material in relation to the financial statements.

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent.

Accounting convention and cash flow statement

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom, 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) Accounting Policies.

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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) Cashflow Statements 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 been agreed with the bank which are due for repayment in April 2010. Neither the directors nor the bank envisage any reason why despite known and expected covenant breaches the facilities will not remain in place until 30 April 2010. The directors anticipate that an extension to these facilities, if required, will be made available to the group at this time.

In previous years the directors have 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 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 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 (2007: 2).

The total emoluments of the directors, including pension contributions was £nil (2007: £nil).

Directors emoluments in respect of services to the company for the year ended 30 June 2008 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:		2008 £'000	2007 £'000
Auditors' remuneration	- for audit work	2	2
	- for taxation services	7	7

4 Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	483	-
Dividend received from subsidiaries	-	13,115

5 Interest payable and similar charges

	2008 £'000	2007 £'000
Bank interest	224	1,880
Loan note interest	5,256	4,749
Intercompany interest	76	69
Bank charges	387	991
	5,943	7,689

6 Tax on loss on ordinary activities

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

	2008 £'000	2007 £'000
UK Corporation tax at 29.5% (2007: 30%)	-	-
Over provision in respect of prior years	-	-
	-	-

There is no actual or potential deferred tax liability (2007: *£nil*).

The company has surrendered the benefit of tax losses amounting to £149,000 to fellow subsidiary undertakings without receiving any payment. (2007: £4,704,000).

Factors affecting tax charge for the year

The tax assessed for both years is higher than the 29.5% (2007: 30%) standard rate of corporation tax in the UK. The differences are explained below:

	2008 £'000	2007 £'000
<u>Loss on ordinary activities before tax</u>	(5,480)	(356)
Loss on ordinary activities multiplied by 29.5% (2007: 30%) standard rate of corporation tax in the UK	(1,617)	(107)
<i>Effects of:</i>		
Permanent differences	1,573	(1,847)
Other timing differences	-	543
Group relief	44	1,411
Actual tax on loss on ordinary activities	-	-

7 Investments

	2008	2007
	£'000	£'000
Cost	11,468	11,468
Provision for impairment in value	(5,771)	(5,771)
Net book value	5,697	5,697

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

<i>Name</i>	<i>Nature of business</i>
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

	2008	2007
	£'000	£'000
Amounts owed by group companies	23,537	48,886

9 Creditors - amounts falling due within one year

	2008	2007
	£'000	£'000
Bank overdraft	-	-
Bank loans	-	19,171
Trade creditors	2	1
Amounts due to group undertakings	2,411	8,896
Accruals and deferred income	3	921
	2,416	28,989

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.

10 Creditors - amounts falling due after more than one year

	2008	2007
	£'000	£'000
Loan notes	63,530	58,273
Bank loans	-	-
Term loan to a fellow group company	813	736
	64,343	59,009

The term loan to a fellow group company includes interest accrued in the year of £77,000 (2007: £69,000) which is rolled over quarterly at a rate of 10% per annum. The beneficiary of the loan is Protocol Associates NV.

Maturity of Debt	2008	2007
	£'000	£'000
In one year or less, or on demand	-	19,171
In more than one year, but not more than two years	-	-
In more than two years, but not more than five years	-	-
In more than five years	813	736
Total instalment debt	813	19,907
Loan notes repayable otherwise than by instalments	63,530	58,273
Total borrowings	64,343	78,180

Terms of repayment

With respect to the £63,530,000 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.

Rates of interest payable

With respect to £55,627,000 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 £7,903,000 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.

11 Provision for liabilities and charges

	2008	2007
	£'000	£'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

	2008	2007
	£'000	£'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

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 July 2007	114	(28,805)	(28,691)
Loss for the financial year	-	(5,480)	(5,480)
At 30 June 2008	114	(34,285)	(34,171)

14 Reconciliation of movement in total shareholders' deficit

	2008	2007
	£'000	£'000
Opening shareholders' deficit	(27,662)	(27,306)
Loss for the financial year	(5,480)	(356)
Closing shareholders' deficit	(33,142)	(27,662)

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:

	2008 £'000	2007 £'000
Losses	5,374	5,000
Other timing differences	-	-
	5,374	5,000

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 £37,339,000 at 30 June 2008 (2007: £32,951,000) 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 2010.

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 Limited, a fellow group company, has been confirmed by HMRC. The VAT status of Education Lecturing Services (limited by guarantee) 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 Related Party Disclosure 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 Belgium. 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.