PNI Holdings Limited

Registered Number: 3897811

Annual Report and Financial Statements

for the year ended 30 June 2009

The dırectors submıt theır report and the audıted financıal statements of the company for the year ended 30 June 2009

Prıncıpal activıty, revıew of busıness and future developments

As a sub-holdıng company, PNI Holdıngs Lımıted has ıncurred admınıstratıve costs and ınterest payable, but has no tradıng actıvıty ın the year This wıll contınue for the foreseeable future

The results for the company show a loss before tax of £11,332,000 *(2008 £5,480,000)*

The dırectors do not recommend the payment of a dıvıdend *(2008 £nıl)*

Holding company support

Protocol Assocıates NV, the Protocol group holdıng company, has agreed to support the company for the foreseeable future

Dırectors

The dırectors of the company who held office durıng the year and subsequently were

D Lewıs	
M Kelly	(appoınted 9 December 2008)
D Wılkınson	(appoınted 1 October 2009)
S Burgess	(resıgned 4 September 2008)

Fınancıal Rısk Management

Lıquıdıty rısk and ınterest rate rısk are consıdered to be sıgnıficant exposures for the company The company manages ıts lıquıdıty rısk by preparıng approprıate cash flow forecasts to ensure that suıtable facılıtıes are avaılable to settle ongoıng needs The ınterest rate exposure of the company ıs a feature of the current borrowıng arrangements of the group, whıch are subject to a mıxture of ınterest rates that the company cannot actıvely manage wıthın the current repayment perıods The company ıs seekıng to manage ıts overall ınterest rısk by reducıng overall debt levels ın order to lower the total exposure to the company

Key Performance Indıcators ("KPI's")

Gıven the straıghtforward nature of the busıness, the company's dırectors are of the opınıon that analysıs usıng KPI's s not necessary for an understandıng of the development, performance or posıtıon of the busıness

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 company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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

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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

29 March 2010

D Wilkinson
Director

Registered Number 3897811

We have audited the financial statements of PNI Holdings Limited for the year ended 30 June 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Teager BSc (Hons) ACA (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

29 March 2010

Profit and loss account for the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
Administrative expenses		-	(20)
Operating loss	3	-	(20)
Amounts written off investments	7	(5,461)	-
Interest receivable and similar income	4	274	483
Interest payable and similar charges	5	(6,145)	(5,943)
Loss on ordinary activities before taxation		(11,332)	(5,480)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	13, 14	(11,332)	(5,480)

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 7 to 14 form part of these financial statements

Balance sheet as at 30 June 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	7	**236**	5,697
Current assets			
Debtors	8	**23,652**	23,537
Cash at bank		**4,650**	4 733
		28,302	**28,270**
Creditors – amounts falling due within one year	9	**(2,413)**	(2 416)
Net current assets		**25,889**	25,854
Total assets less current liabilities		**26,125**	31,551
Creditors – amounts falling due after more than one year	10	**(70,249)**	(64 343)
Provision for liabilities and charges	11	**(350)**	(350)
Net liabilities		**(44,474)**	**(33,142)**
Capital and reserves			
Called up share capital	12	**1,029**	1,029
Share premium account	13	**114**	114
Profit and loss account	13	**(45,617)**	(34 285)
Total Shareholders' deficit	14	**(44,474)**	**(33,142)**

Approved by the Board

25 March 2010

D Wilkinson
Director

The notes on pages 7 to 14 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 2006 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

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

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

The directors are in the process of agreeing revised banking facilities with its bankers Whilst these facilities have not yet been formally agreed the directors' view, based on communications with its bankers, is that the facilities have been agreed in principle and are likely to be approved shortly

The VAT position of the Company, which is a member of a VAT group with Education Lecturing Services (limited by guarantee) ("ELS") is historically complex as a result of the sector in which it operates In 2004 HMRC initiated a review of the VAT status of ELS The companies within the relevant VAT group continue to negotiate the consequences of that review, which are subject to appeal, and they have made provision for potential costs and liabilities which in the view of the directors are due Whilst a protective VAT assessment has been raised by HMRC, the directors are of the view that no material adjustment to the provisions is 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 working capital facilities

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

1 *Accounting policies (continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

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 *(2008 2)*

The total emoluments of the directors, including pension contributions was £nil *(2008 £nil)*

Directors emoluments in respect of services to the company for the year ended 30 June 2009 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		***2009*** ***£'000***	***2008*** ***£'000***
Auditors' remuneration	- for audit work	-	2
	- for taxation services	-	7

Auditors' remuneration for audit services is borne by a subsidiary company

4 *Interest receivable and similar income*

	2009 ***£'000***	***2008*** ***£'000***
Bank interest	**274**	483

5 *Interest payable and similar charges*

	2009 £'000	2008 £'000
Bank interest	-	224
Loan note interest	**5,823**	5 256
Intercompany interest	**84**	76
Bank charges	**238**	387
	6,145	5,943

6 *Tax on loss on ordinary activities*

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

	2009 £'000	2008 £'000
United Kingdom Corporation tax at 28% *(2008 29 5%)*	-	-
Over provision in respect of prior years	-	-
	-	-

The company has surrendered the benefit of tax losses amounting to £nil to fellow subsidiary undertakings without receiving any payment *(2008 £149,000)*

Factors affecting tax charge for the year

The tax assessed for both years is higher than the 28% *(2008 29 5%)* standard rate of corporation tax in the United Kingdom The differences are explained below

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	**(11,332)**	(5 480)
Loss on ordinary activities multiplied by 28% (*2008 29 5%)* standard rate of corporation tax in the United Kingdom	**(3,173)**	(1 617)
Effects of		
Permanent differences	**3,565**	1,573
Utilisation of losses	**(392)**	-
Group relief	-	44
Actual tax on loss on ordinary activities	-	-

7 *Investments*

	2009 £'000	2008 £'000
Cost	**11,468**	11,468
Provision for impairment in value	**(11,232)**	(5,771)
Net book value	**236**	5,697

Following a review of the companies' investments, an impairment of £5,461,000 has been recognised in the current year (2008 £nil) The directors believe that the carrying value of the investments is supported by their underlying net assets

Details of wholly owned subsidiary undertakings during the year, 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
Examination & Assessment Services Limited (formerly Tektra Limited)	Provision of Examination Services
Protocol Learning Limited	Intermediate holding company of Protocol Skills Limited
Protocol Recruitment Limited	Dormant company
Harnser Associates Limited	Dormant company

8 *Debtors*

	2009 £'000	2008 £'000
Amounts owed by group companies	**23,652**	23 537

9 *Creditors - amounts falling due within one year*

	2009 £'000	2008 £'000
Trade creditors	**2**	2
Amounts due to group undertakings	**2,411**	2,411
Accruals and deferred income	-	3
	2,413	**2,416**

10 Creditors - amounts falling due after more than one year

	2009 £'000	2008 £'000
Loan notes	**69,352**	63,530
Term loan to a fellow group company	**897**	813
	70,249	**64,343**

The term loan to a fellow group company includes interest accrued in the year of £84,000 *(2008 £77,000)* which is rolled over quarterly at a rate of 10% per annum The beneficiary of the loan is Protocol Associates NV

Maturity of Debt	*2009 £'000*	*2008 £'000*
In one year or less, or on demand	-	-
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	**897**	813
Total instalment debt	**897**	**813**
Loan notes repayable otherwise than by instalments	**69,352**	63 530
Total borrowings	**70,249**	**64,343**

Terms of repayment

With respect to the £69,352,000 *(2008 £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 £60,805,000 *(2008 £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 £8,547,000 *(2008 £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

	2009 £'000	2008 £'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	2009 £'000	2008 £'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 2008	114	(34,285)	(34,171)
Loss for the financial year	-	(11,332)	(11,332)
At 30 June 2009	**114**	**(45,617)**	**(45,503)**

14 Reconciliation of movement in total shareholders' deficit

	2009 £'000	2008 £'000
Opening shareholders' deficit	**(33,142)**	**(27,662)**
Loss for the financial year	**(11,332)**	(5,480)
Closing shareholders' deficit	**(44,474)**	**(33,142)**

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

	2009 *£'000*	*2008* *£'000*
Losses	**4,723**	5,374
Other timing differences	**-**	-
	4,723	**5,374**

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 £46,478,000 at 30 June 2009 (2008 £37,339,000) 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 owing by the Group is secured by fixed and floating charges across the undertakings of the Group At the balance sheet date, the Group's banking facilities were repayable by April 2010 The directors are in the process of agreeing revised banking facilities with its bankers Whilst these facilities have not yet been formally agreed the directors' view, based on communications with its bankers, is that the facilities have been agreed in principle and are likely to be approved shortly

The VAT position of the Company, which is a member of a VAT group with Education Lecturing Services (limited by guarantee) ("ELS") is historically complex as a result of the sector in which it operates In 2004 HMRC initiated a review of the VAT status of ELS The companies within the relevant VAT group continue to negotiate the consequences of that review, which are subject to appeal, and they have made provision for potential costs and liabilities which in the view of the directors are due Whilst a protective VAT assessment has been raised by HMRC, the directors are of the view that no material adjustment to the provisions is necessary

17 Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 (FRS 8) Related Party Disclosure for wholly owned subsidiaries not to disclose related party transactions with members of the same group

18 Group restructure

In December 2009 the Group undertook a reorganisation in order to group related trading assets together As a result of this reorganisation certain entities within the Group are now owned by different intermediate holding companies

19 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