PNI Holdings Limited

Registered Number 3897811

Annual Report and Financial Statements for the year ended 30th June 2010

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Directors' report for the year ended 30th June 2010

The directors submit their annual report and the audited financial statements of the company for the year ended 30th June 2010

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 in the future

The results for the company show a loss before tax of £6,261,000 (2009 £11,332,000) for the financial year

The directors do not recommend the payment of a dividend (2009 £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 up to the date of signing the financial statements were

D Lewis	
M Kelly	
D Wilkinson	(appointed 1st October 2009)
P Fox	(resigned 1st October 2009)

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

Key performance indicators ("KPI's")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business

Directors' report for the year ended 30th June 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the 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 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,
- 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

On behalf of the Board

27th January 2011

D Wilkinson
Director

Registered number 3897811

Independent auditors' report to the members of PNI Holdings Limited

We have audited the financial statements of PNI Holdings Limited for the year ended 30th June 2010 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 statement of directors' responsibilities 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 30th June 2010 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
3 February 2011

Profit and loss account for the year ended 30th June 2010

	Note	2010 £'000	2009 £'000
Administrative expenses		(21)	-
Operating loss	2	**(21)**	-
Exceptional Items	3	250	
Amounts written off investments	7	(51)	(5,461)
Interest receivable and similar income	4	206	274
Interest payable and similar charges	5	(6,645)	(6,145)
Loss on ordinary activities before taxation		**(6,261)**	**(11,332)**
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	13	**(6,261)**	**(11,332)**

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

There are no recognised gains or losses other than the loss for the financial years 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 at 30th June 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	7	785	236
Current assets			
Debtors	8	23,652	23,652
Cash at bank		4,387	4,650
		28,039	**28,302**
Creditors - amounts falling due within one year	9	(2,411)	(2,413)
Net current assets		**25,628**	**25,889**
Total assets less current liabilities		**26,413**	**26,125**
Creditors - amounts falling due after one year	10	(76,798)	(70,249)
Provision for liabilities and charges	11	(350)	(350)
Net liabilities		**(50,735)**	**(44,474)**
Capital and reserves			
Called up share capital	12	1,029	1,029
Share premium account	13	114	114
Profit and loss account	13	(51,878)	(45,617)
Total shareholders' deficit	14	**(50,735)**	**(44,474)**

The financial statements on pages 4 to 12 were approved by the Board of Directors on 27th January 2011 and were signed on its behalf by

D Wilkinson
Director

Notes to the financial statements for the year ended 30th June 2010

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 in the United Kingdom 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 has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) (FRS 1) Cash flow 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

Basis of preparation

The group continues to be in breach of certain banking covenants Banking facilities fall due for repayment on 31st July 2011 and it is the opinion of the Directors' that the group will be in a position to repay all loans by that date and they fully expect that the bank will provide ongoing support in the form of working capital facilities as required 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

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 is considered by the directors to be permanent

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

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

Notes to the financial statements for the year ended 30th June 2010

2. Employees and operating loss

The average number of persons (all directors) employed by the company during the period was 3 (2009 2) These directors received no emoluments for their services to the company

Directors' emoluments in respect of services to the group for the year ended 30th June 2010 are borne by Protocol Systems Limited, another group company, and their 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

Auditors' remuneration was borne by another group company and not recharged

3. Exceptional item

The exceptional item of £250,000 relates to a profit on the disposal of Examination and Assessment Services Limited to a fellow group company

4. Interest receivable and similar income

	2010 £'000	2009 £'000
Bank Interest	206	274

5. Interest payable and similar charges

	2010 £'000	2009 £'000
Interest on loan notes	6,455	5,823
Intercompany interest	93	84
Bank Charges	97	238
	6,645	**6,145**

Notes to the financial statements for the year ended 30th June 2010

6. Tax on loss on ordinary activities

There is no tax on the result for the year (2009 £nil)

Factors affecting tax for the year

The tax assessed for both years is higher than the 28% (2009 28%) standard rate of corporation tax in the United Kingdom The differences are explained below

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	**(6,261)**	**(11,332)**
Loss on ordinary activities multiplied by 28% (2009 28%) standard rate of corporation tax in the United Kingdom	**(1,753)**	**(3,173)**
Effects of		
Permanent differences	2,218	3,565
Utilisation of losses	(479)	(392)
Other timing differences	14	-
Current tax charge for the year	-	-

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The effect of the changes to be enacted in the Finance (No2) Act 2010 will not have a material impact on the financial statements

Notes to the financial statements for the year ended 30th June 2010

7. Investments

	Cost	Provision for Impairment	Net Book Value
	£'000	**£'000**	**£'000**
At 1st July 2009	11,468	(11,232)	236
Additions	600	(51)	549
Disposals	(5,771)	5,771	-
At 30th June 2010	**6,297**	**(5,512)**	**785**

Following an impairment review on 30th June 2010, the carrying value of the company's investment in Education Lecturing Services Limited was reduced by £51,000 to £549,000 The directors believe that the carrying value of the investments is supported by their underlying net assets

Wholly owned subsidiary undertakings during the year, all of which are registered in Great Britain, were as follows

Name	**Nature of business**
Protocol Systems Limited	Provision of head office services
Examination & Assessment Services Limited[1]	Provision of examination Services
Protocol Learning Limited	Non-trading company
Protocol Training Limited	Non-trading company
Education Lecturing Services Limited[2]	Non-trading company
Protocol Recruitment Limited	Dormant company
Harnser Associates Limited	Dormant company

[1] In December 2009 the company disposed of its investment in Examination and Assessment Services Limited to Law 2478 Limited, a fellow group company, for £250,000 The investment had a net book value of £nil, and therefore realised a profit on disposal of £250,000 (note 3)

[2] Also in December 2009, the company also became sole guarantor of Education Lecturing Services Limited, a company limited by guarantee and having no share capital, whose previous guarantor was Protocol National Limited, a fellow group company The cost of investment was £600,000

8. Debtors

	2010	2009
	£'000	£'000
Amounts owed by group companies	23,652	23,652

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand No interest is receivable on group loans

Notes to the financial statements for the year ended 30th June 2010

9. Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	-	2
Amounts owed to group companies	2,411	2,411
	2,411	**2,413**

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are payable on demand No interest is payable on group loans

10. Creditors – amounts falling due after one year

	2010 £'000	2009 £'000
Loan notes	75,808	69,352
Term loan to a fellow group company	990	897
	76,798	**70,249**

The term loan to a fellow group company includes interest accrued in the year of £93,000 (2009 £84,000) which is rolled over quarterly at a rate of 10% per annum The beneficiary of the loan is Protocol Associates NV

Maturity of debt

	2010 £'000	2009 £'000
Instalment debt All repayable In more than five years	990	897
Loan notes repayable otherwise than by instalments	75,808	69,352
Total borrowings	**76,798**	**70,249**

Terms of repayment

With respect to the £75,808,000 (2009 £69,352,000) 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 £66,564,000 (2009 £60,805,000) of loan notes repayable otherwise than by instalments, interest is added to the principal of the loan notes in arrears on 30 June and 31st 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 £9,244,000 (2009 £8,547,000) of loan notes repayable otherwise than by instalments, interest is added to the principal of the loan notes in arrears on 31st March and 30th September Interest is accrued in arrears at 8% per annum

11. Provision for liabilities and charges

Provision for liabilities and charges represents professional fees of £350,000 (2009 £350,000) payable to Bridgepoint Capital (Nominees) Limited which have been deferred until disposal of the group

12. Called up share capital

		2010	2009
		£	£
Authorised allotted and fully paid			
999,999	Ordinary shares of £0 90 each	899,999	899,999
142,857	'A' Ordinary shares of £0 90 each	128,571	128,571
1	£1 Share	1	1
		1,028,571	1,028,571

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	Profit & loss account	Total
	£'000	£'000	£'000
At 1st July 2009	114	(45,617)	**(45,503)**
Loss for the financial year	-	(6,261)	**(6,261)**
At 30th June 2010	**114**	**(51,878)**	**(51,764)**

14. Reconciliation of movements in shareholders' deficit

	2010	2009
	£'000	£'000
Opening shareholders' deficit	(44,474)	(33,142)
Loss for the financial year	(6,261)	(11,332)
Closing shareholders' deficit	**(50,735)**	**(44,474)**

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

	2010	2009
	£'000	£'000
Losses	4,146	4,723
Other timing differences	126	-
	4,272	**4,723**

Notes to the financial statements for the year ended 30th June 2010

16. Contingent liabilities

The group operates a banking set-off arrangement such that the company has jointly guaranteed the overdraft and loan facilities of fellow group companies At 30th June 2010 the aggregate bank borrowings of the group were £6,052,000 (2009 £10,110,000)

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 31st July 2011

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 immediate and ultimate holding company is Protocol Associates NV, a company incorporated within Belgium, which is the smallest and largest group to consolidate these financial statements 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