Protocol Education Limited

Registered Number 2926583

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

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

Protocol Education Limited ("the Company") provides temporary and permanent teachers and support staff to schools Both temporary teachers and support staff can be provided on a short term or a longer term basis

The results for the company show a profit before tax of £3,686,000 (2009 £2,900,000) for the financial year and sales of £43,397,000 (2009 £38,450,000)

The directors do not recommend the payment of a final dividend (2009 £nil)

Business environment

The company operates through a number of offices in London and in cities throughout the United Kingdom The Company has a significant market presence in London where the competition is from both national chains and smaller independent agencies Outside London the competition is mainly from the national chains and, in certain geographies, local authority supply pools

Strategy

The Company's objectives are

- Continuing to develop their offices to their full potential
- Strengthening the supply chain through the maximisation of overseas recruitment
- Development of the client base through improving customer relationships
- Improvement in teacher retention
- Continuing investment in the sales force

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks affecting the company are set out below

- Competition The company operates in a competitive but fragmented market with a large number of similar businesses
- Supply chain The supply chain is key in ensuring a pool of teachers are available and the company utilises United Kingdom and international networks to ensure that recruitment is maximised

Key performance indicators ("KPI's")

The following KPI's demonstrate the progress of the company

- Long term teacher days
- Short term teacher days
- Permanent recruitment
- Gross profit per teacher day

Directors' report for the year ended 30th June 2010

Directors

The directors of the company who held office during the year and subsequently up to the date of signing the financial statements were

S Lawrence
P Swain
D Lewis
D Wilkinson (appointed 1st October 2009)
P Fox (resigned 1st October 2009)

Directors' interests in shares

The interests of the directors of the company, and of subsidiary undertakings, in the shares of the company were as follows

	Number of Non Voting B Shares	Number of Non Voting C Shares
S Lawrence	6,435	6,435
P Swain	2,145	-
D Lewis	1,500	-
D Wilkinson	4,863	3,565

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk The director's monitor any risk considered to be significant to the company and establish appropriate risk management policies

The only risk deemed to be significant that is monitored and controlled at a company level is credit risk The company has implemented policies that require appropriate credit checks on potential customers before sales are made, and then ongoing controls to monitor customer debt against approved credit limits

Liquidity risk and interest rate risk are managed at group level as the company is part of a group pooling arrangement and is funded through intercompany balances with entities that carry the group's external debt The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Creditors' payment policy

The company agrees terms and conditions for its business transactions with suppliers Payment is then made on these terms, subject to the terms and conditions being met by the supplier At 30th June 2010 unpaid creditors of the company amounted to 35 days of purchases (2009 35 days)

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/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 2926583

Independent auditors' report to the members of Protocol Education Limited

We have audited the financial statements of Protocol Education Limited for the year ended 30 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 3, 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 2010 and of its profit 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
Turnover	2	**43,397**	**38.450**
Cost of sales		**(30,291)**	**(26,829)**
Gross profit		**13,106**	**11,621**
Administrative expenses		(10,478)	(9,945)
Operating profit	5	**2,628**	**1,676**
Interest receivable and similar income	6	1,091	1,264
Interest payable and similar charges	7	(33)	(40)
Profit on ordinary activities before taxation		**3,686**	**2,900**
Tax on profit on ordinary activities	8	332	-
Profit for the financial year	15	**4,018**	**2,900**

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

There are no recognised gains or losses other than the profit for the financial years shown above, and therefore no separate statement of total gains and losses has been presented

The notes on pages 7 to 15 form part of these financial statements

Balance sheet at 30th June 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	9	2,851	3,119
Tangible assets	10	602	656
		3,453	**3,775**
Current assets			
Debtors	11	7,093	5,654
Cash at bank and in hand		26,720	24,194
		33,813	**29,848**
Creditors - amounts falling due within one year	12	(10,426)	(10,795)
Net current assets		**23,387**	**19,053**
Total assets less current liabilities		**26,840**	**22,828**
Provisions for liabilities	13	(12)	(19)
Net assets		**26,828**	**22,809**
Capital and reserves			
Called up share capital	14	1	-
Profit and loss account	15	26,827	22,809
Total shareholders' funds	16	**26,828**	**22,809**

The financial statements on pages 5 to 15 were approved by the Board of Directors on 27th January 2011 and were signed on its behalf by

S Lawrence
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

Fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis The expected useful lives of the assets to the business are reassessed periodically in the light of experience

Depreciation rates used are as follows

- Short leasehold property – over the lease term
- Furniture and IT Equipment – 20% - 33% per annum

Leased assets

Assets held under finance leases are capitalised as fixed assets and the corresponding leasing commitment is included in obligations under finance leases Interest is charged to the profit and loss account over the period of the lease Rentals under operating leases are charged against income as incurred The obligation to pay future rentals on operating leases is shown by way of a note to the financial statements

Pensions

Pension contributions, which relate to schemes that have the characteristics of a defined contribution scheme, are charged to the profit and loss account as incurred

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

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

Goodwill

Acquired goodwill is capitalised, and is subsequently measured through an annual impairment review or an annual amortisation charge based on the individual circumstances of each business acquired Annual amortisation is calculated to write off goodwill over the useful economic life of each business acquired

2. Turnover

Turnover, which excludes value added tax, represents the amount invoiced to customers in respect of the company's principal activities and is invoiced in line with the delivery of services All turnover is derived from the United Kingdom

3. Employees

Staff costs were as follows

	2010 £'000	2009 £'000
Wages and salaries	5,709	5,178
Social security costs	624	594
Other pension costs (note 21)	59	73
	6,392	**5,845**

The monthly average number of people, including directors, who were employed by the company during the year, was as follows

	2010 Number	2009 Number
Recruitment	141	125
Head Office	27	28
	168	**153**

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

4. Directors' emoluments

	2010 £'000	2009 £'000
Directors' aggregate emoluments	325	373
Company contributions paid to money purchase schemes	23	22

The aggregate emoluments of the highest paid director were £240,500 (2009 £281,000), including £18,900 (2009 £18,900) contributions paid to money purchase pension schemes Retirement benefits are accrued to two directors and are under the company's money purchase pension scheme (2009 two)

Other directors' emoluments in respect of services to the company 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

5. Operating profit

Profit on ordinary activities is stated after charging

	2010 £'000	2009 £'000
Depreciation of owned assets	261	245
Operating lease rentals (other than plant & machinery)	561	588
Auditors remuneration for audit work	12	-
Goodwill amortisation (note 9)	268	268

The auditors' remuneration in 2009 of £13,000 was borne and paid by a fellow group company

6. Interest receivable and similar income

	2010 £'000	2009 £'000
Bank Interest	1,091	1,264

7. Interest payable and similar charges

	2010 £'000	2009 £'000
Other interest payable	7	-
Bank charges	26	40
	33	**40**

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

8. Tax on profit on ordinary activities

Tax based on the result for the year

	2010 £'000	2009 £'000
Current tax		
United Kingdom Corporation tax at 28% (2009 28%)	62	-
Deferred tax		
Adjustments to the estimated recoverable amount of deferred tax assets	(394)	-
Tax on profit on ordinary activities	**(332)**	-

The corporation tax liability has been adjusted by the group relief of losses surrendered by fellow subsidiary undertakings of £2,861,000 (2009 £2,232,000) for which no payment has been made

Factors affecting tax for the year

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

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	**3,686**	2,900
Profit on ordinary activities multiplied by 28% (2009 28%) standard rate of corporation tax in the United Kingdom	**1,032**	812
Effects of		
Permanent differences	(77)	(52)
Group relief	(801)	(625)
Accelerated capital allowances and other timing differences	(92)	(135)
Current tax charge for the year	**62**	-

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

9. Intangible assets

	Goodwill £'000
Cost	
At 1st July 2009 and at 30th June 2010	**5,263**
Accumulated amortisation	
At 1st July 2009	2,144
Charge for the year	268
At 30th June 2010	**2,412**
Net book value	
As at 30th June 2010	**2,851**
As at 30th June 2009	3,119

Goodwill arose on the acquisition of the trade and assets of Protocol Education Services Limited It is being amortised over its useful economic life of 20 years, the period over which the company expect to benefit from the acquisition's reputation, brand and skills

10. Tangible assets

	Short leasehold property £'000	Furniture and IT equipment £'000	Total £'000
Cost			
At 1st July 2010	82	2,181	2,263
Additions	-	207	207
At 30th June 2010	**82**	**2,388**	**2,470**
Accumulated depreciation			
At 1st July 2010	82	1,525	1,607
Charge for the year	-	261	261
At 30th June 2010	**82**	**1,786**	**1,868**
Net book value			
As at 30th June 2010	-	**602**	**602**
As at 1st July 2009	-	656	656

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

11. Debtors

	2010 £'000	2009 £'000
Trade debtors	3,501	3,295
Amounts owed by group undertakings	-	62
Deferred tax (note 19)	394	-
Other debtors	283	17
Prepayments and accrued income	2,915	2,280
	7,093	**5,654**

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

12. Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	381	323
Amounts owed to group undertakings	7,960	8,028
Other taxes and social security	894	930
Other creditors	134	780
Accruals and deferred income	995	734
Corporation tax	62	-
	10,426	**10,795**

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

13. Provision for liabilities

	Dilapidations provision £'000
At 1st July 2009	19
Decrease in the year	(7)
At 30th June 2010	**12**

The provision for property dilapidations represents the estimated value of the company's contractual obligations

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

14. Called up share capital

	2010 £	2009 £
Authorised		
1,000 Ordinary shares of £1 each	-	1,000
100,000 Voting Ordinary shares of £0 01 each	825	-
17,500 Non Voting B Shares of £0 001 each	18	-
10,000 Non Voting C Shares of £0 001 each	10	-
	853	**1,000**

	2010 £	2009 £
Allotted and fully paid		
2 Ordinary shares of £1 each	-	2
82,500 Voting Ordinary shares of £0 01 each	825	-
17,500 Non Voting B Shares of £0 001 each	18	-
10,000 Non Voting C Shares of £0 001 each	10	-
	853	**2**

The voting ordinary shares have a right to vote, receive dividends and to a distribution of capital upon a winding up The B and C shares are non-voting and have a right, which is subject to certain performance criteria, to participate in a distribution of capital upon a winding up

15. Profit and loss account

	£'000
At 1st July 2009	22,809
Profit for the financial year	4,018
At 30th June 2010	**26,827**

16. Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Opening shareholders' funds	22,809	19,909
Proceeds of issue of ordinary share capital	1	-
Profit for the financial year	4,018	2,900
Closing shareholders' funds	**26,828**	**22,809**

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

17. Financial Commitments

At 30th June 2010 the company had annual commitments payable under non-cancellable operating leases as follows

	2010	2009
	£'000	£'000
Land and buildings		
Leases which expire within one year	6	12
Leases which expire between one and five years	541	531
	547	**543**

18. 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

19. 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 are as follows

	2010		2009	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Fixed asset timing differences	394	-	-	435
Other timing differences	-	-	-	7
	394	**-**	**-**	**442**

20. Capital commitments

At 30th June 2010 the company had capital commitments of £3,000 (2009 £8,000) in respect of computer hardware and software

21. Pensions

A defined contribution scheme is in operation where the company contributes a variable contribution to individual employee's schemes, but has no further liability to provide retirement benefits once the employee is no longer employed by the company The company's contributions for the year amounted to £59,000 (2009 £73,000)

22. 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

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

23. 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

24. Ultimate parent company

The company's entire voting share capital is owned by ELS Group Limited, a company registered in England This company is the immediate parent undertaking

The company's 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