

Protocol Education Limited

Annual report and financial statements

Registered number 2926583

For the year ended 30 November 2014

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Company Information

Director	S Lawrence P Swain J Bowman J Roback
Secretary	J Roback
Registered Office	247 Tottenham Court Road London W1T 7QW
Registered Number	2926583 (England and Wales)
Auditor	KPMG LLP 58 Clarendon Road Watford Hertfordshire WD17 1DE

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Strategic Report

Principal activity, review of business

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 on ordinary activities before taxation of £9,645,000 (2013: £7,456,000) and sales of £65,832,000 (2013: £58,428,000).

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Business environment

The company operates through a number of offices in London and in cities throughout the United Kingdom. It also has presence in Australia, New Zealand and Canada for the recruitment of teachers into 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 again from both national chains and smaller agencies, and in certain geographies, local authority supply pools.

Future developments

The company expects the demand for its services to continue, particularly in major urban metropolitan areas. The demand for primary school teachers is forecast to increase due to the increase in children of primary school age expected to enter the system between now and 2020. In future years this increase is expected to roll into secondary schools as these pupils progress through the school system. The company's management have been working to ensure that the company is well positioned to develop this Primary and Secondary school market opportunity.

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 players
- **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
- **Reputation management:** the company follows strict guidelines with regards its vetting and recruitment checks prior to the placement of any candidates. The company operates continuous monitoring of these guidelines as they are reviewed and reassessed by the DfE
- **Key relationships:** the loss of key relationships remain a key risk to the company, and as such management invests significantly in sales staff development and career progression

Strategic Report (*continued*)

Key performance indicators

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

Directors

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

S Lawrence
P Swain
J Bowman
J Roback

Financial instruments- 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. Group directors 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, then after, ongoing creditworthiness checks are monitored on customers and their debts reviewed against approved credit limits. Cash balances and liquidity are reviewed daily, with controls in place to minimise cash flows risks.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2013: £nil).

Proposed dividend

The directors do not recommend the payment of a dividend (2013: £nil).

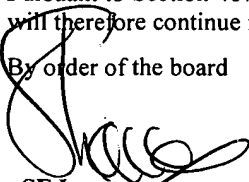
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



SF Lawrence
Director

11 May 2015

247 Tottenham Court Road
London
W1T 7QW

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

58 Clarendon Road
Watford
WD17 1DE
United Kingdom

Independent auditor's report to the members of Protocol Education Limited

We have audited the financial statements of Protocol Education Limited for the year ended 30 November 2014 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 November 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Protocol Education Limited
(continued)

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 BurrIDGE

14 May 2015

David BurrIDGE (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
Hertfordshire
WD17 1DE
United Kingdom

Profit and loss account
for the year ended 30 November 2014

	<i>Notes</i>	2014 £000	2013 £000
Turnover	2	65,832	58,428
Cost of sales		(51,551)	(46,916)
		<hr/>	<hr/>
Gross profit		14,281	11,512
Administrative expenses		(4,625)	(4,073)
		<hr/>	<hr/>
Operating profit	3	9,656	7,439
Interest receivable and similar income	6	9	35
Interest payable and similar charges	7	(20)	(18)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		9,645	7,456
Tax on profit on ordinary activities	8	(2,378)	(1,930)
		<hr/>	<hr/>
Profit for the financial period		7,267	5,526
		<hr/>	<hr/>

The company has no recognised gains or losses in the current or prior period other than those that pass through the profit and loss account.

All turnover and profits in the current and preceding period are derived from continuing activities.

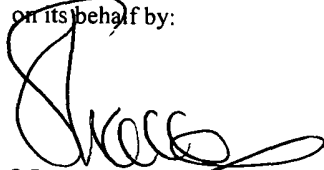
The notes on pages 9 to 18 form part of the financial statements.

Balance sheet
at 30 November 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	9	1	1
Intangible assets	10	1,667	1,935
Tangible assets	11	591	542
		<u>2,259</u>	<u>2,478</u>
Current assets			
Debtors	12	28,671	19,752
Cash at bank and in hand		2,146	926
		<u>30,817</u>	<u>20,678</u>
Creditors: amounts falling due within one year	13	<u>(8,368)</u>	<u>(6,462)</u>
Net current assets		<u>22,449</u>	<u>14,216</u>
Total assets less current liabilities		<u>24,708</u>	<u>16,694</u>
Net assets		<u>24,708</u>	<u>16,694</u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account	16	24,707	16,693
Total shareholder's funds	17	<u>24,708</u>	<u>16,694</u>

The notes on pages 9 to 18 form part of the financial statements.

These financial statements were approved by the board of directors on **11 May 2015** and were signed on its behalf by:


S Lawrence
Director

Company registered number: 2926583

Notes to the financial statements *(forming part of the financial statements)*

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules with the exception of certain financial instruments which are recognised at fair value on initial recognition.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Education Personnel Bidco Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Arthur Topco Limited, within which this company is included, can be obtained from the address listed in note 22.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represents invoiced services provided, excluding value added tax. Invoices are raised each week for the services delivered in the previous week. Turnover for significant outstanding days is accrued for.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Depreciation rates used are as follows:

Short leasehold property – over the lease term

Furniture and IT equipment – 25% per annum

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Goodwill

Acquired goodwill is capitalised; subsequently the company evaluates the carrying value of goodwill in each financial period to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account. Annual amortisation is calculated to write off goodwill over the useful economic life of each business acquired.

Post-retirement benefits

Protocol Education Limited operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Share-based payment transactions

The share incentive programme allows employees to acquire shares of the Company's parent that are then held in Trust. The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair values of the shares granted are measured using an appropriate EV/EBITDA multiple. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled.

2 Analysis of turnover

Turnover is derived in the UK from the company's principal activity, the provision of teaching staff to schools.

3 Operating profit

	2014 £000	2013 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible owned assets	232	214
Hire of other assets - operating leases	582	561
Goodwill amortisation	268	268
Loss on sale of fixed assets	-	1
	<hr/>	<hr/>
<i>Auditors remuneration:</i>		
Audit of these financial statements	17	17
Amounts receivable by the auditors and their associates in respect of:		
Other services to taxation	7	6
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	441	412
Amounts receivable under long term incentive schemes	16	-
	<u>457</u>	<u>412</u>

The aggregate emoluments of the highest paid director were £307,000 (2013: £286,000). During the year, the highest paid director received shares under a long term incentive scheme.

Other directors' emoluments in respect of services to the company for the year to 30 November 2014 were borne by Education Personnel Bidco Limited and Arthur Bidco Limited.

	Number of directors	
	2014	2013
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	4	-

5 Staff numbers and costs

The aggregate payroll costs were as follows:

	2014 £000	2013 £000
Wages and salaries	7,851	7,861
Social security costs	853	825
Pension costs	115	76
Share based payment	747	24
	<u>9,566</u>	<u>8,786</u>

The average number of persons, including directors, who were employed by the company during the period, was as follows:

	Number of employees	
	2014	2013
Administration	214	210

Notes (continued)

6 Interest receivable and similar income

	2014 £000	2013 £000
Bank interest	9	7
Other income	-	28
	<u>9</u>	<u>35</u>

7 Interest payable and similar charges

	2014 £000	2013 £000
Bank charges	14	18
Other Interest payable	6	-
	<u>20</u>	<u>18</u>

8 Taxation

Analysis of charge in the period:

	2014 £000	2013 £000
<i>UK corporation tax</i>		
Current tax on income for the period	2,322	1,899
Adjustments to tax charge in respect of previous periods	-	(35)
	<u>2,322</u>	<u>1,864</u>

Deferred tax

Origination and reversal of timing differences	56	30
Effect of decreased rate on closing balances	-	36
	<u>56</u>	<u>66</u>
Total deferred tax (note 14)	56	66
	<u>2,378</u>	<u>1,930</u>

Tax on profit on ordinary activities

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge in the period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 21.66% (2013: 23.33%). The differences are explained below:

	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	9,645	7,456
Current tax at 21.66% (2013: 23.33%)	2,089	1,739
<i>Effect of:</i>		
Expenses not deductible for tax purposes	241	97
Non taxable income	-	(7)
Permanent differences	(156)	(11)
Group relief claimed	(865)	(878)
Payment for group relief claimed	865	878
Adjustments to tax charge in respect of previous periods	-	(35)
Accelerated capital allowances and other timing differences	(60)	(35)
Effect of transfer pricing adjustments	208	116
Total current tax charge	2,322	1,864

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 November 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date (2013: 20%).

9 Fixed Asset Investments

	Interests in subsidiary undertakings £000
<i>Cost and net book value</i>	
At beginning and end of period	1

The only undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Principal activity	Class and percentage of shares held Group	Company
<i>Subsidiary undertakings</i>				
Protocol Teachers International Pty Limited	Australia	Provision of teaching staff	100% ordinary shares	100% ordinary shares
Protocol Education Limited	New Zealand	Provision of teaching staff	100% ordinary shares	100% ordinary shares
Protocol Teachers Limited	New Zealand	Provision of teaching staff	100% ordinary shares	100% ordinary shares
Protocol Education (Canada) Limited	Canada	Provision of teaching staff	100% ordinary shares	100% ordinary shares

Notes (continued)

10 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	5,262
<i>Accumulated amortisation</i>	
At beginning of year	3,327
Charge for year	268
At 30 November 2014	3,595
<i>Net book value</i>	
At 30 November 2014	1,667
At 30 November 2013	1,935

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.

11 Tangible fixed assets

	Short leasehold property £000	Furniture and IT equipment £000	Total £000
<i>Cost</i>			
At beginning of year	82	3,240	3,322
Additions	-	281	281
At 30 November 2014	82	3,521	3,603
<i>Accumulated depreciation</i>			
At beginning of year	82	2,698	2,780
Charge for period	-	232	232
At 30 November 2014	82	2,930	3,012
<i>Net book value</i>			
At 30 November 2014	-	591	591
At 30 November 2013	-	542	542

Notes (continued)

12 Debtors

	2014 £000	2013 £000
Trade debtors	6,676	5,429
Deferred tax asset (see note 14)	151	207
Other debtors	370	27
Prepayments and accrued income	2,688	2,537
Amount owed by group companies	18,786	11,552
	<u>28,671</u>	<u>19,752</u>

13 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	1,334	1,728
Amounts owed to group undertakings	981	710
Corporation tax	631	354
Other taxation and social security	3,611	2,370
Other creditors	1,008	351
Accruals and deferred income	803	949
	<u>8,368</u>	<u>6,462</u>

14 Deferred tax asset

	Deferred taxation £000
At beginning of year	207
Charge for the year	(56)
At end of year	<u>151</u>

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and amortisation and capital allowances	146	205
Other timing differences	5	2
	<u>151</u>	<u>207</u>

Notes (continued)

15 Called up share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
852,500 ordinary shares of £0.001 each	853	-
82,500 voting A 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
	<hr/>	<hr/>
Shares classified in shareholder's funds	853	853
	<hr/>	<hr/>

The ordinary shares have rights to vote, receive dividends and to a distribution of capital upon winding up.

16 Profit and loss account

	£000
At start of year	16,693
Profit for the year	7,267
Reversal of charge in relation to share based payments	747
	<hr/>
At 30 November 2014	24,707
	<hr/>

17 Reconciliation of movements in shareholder's funds

	2014 £000	2013 £000
Opening shareholder's funds	16,694	11,144
Profit for the financial period	7,267	5,526
Reversal of charge in relation to share based payments	747	24
	<hr/>	<hr/>
	24,708	16,694
	<hr/>	<hr/>

Notes (continued)

18 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 £000	2013 £000
Land and buildings		
Leases which expire in less than one year	152	129
Leases which expire in the second to fifth years inclusive	299	292
Leases which expire in more than five years	348	347
	<u>799</u>	<u>768</u>

19 Contingent Liabilities

The company is co-guarantor, along with other companies in the group for the payment or repayment of money, whether present or future, actual or contingent, joint or several including principal, interest, commission, fees, other charges and overdrafts to certain providers of finance. The net amount outstanding in the group for which the company is co-guarantor as at 30 November 2014 was £91,325,000 (2013: £39,463,000).

20 Related party transactions

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

21 Employee share schemes

Share based payments

The Group operates an Employees Share Incentive Plan. This entitles certain employees to acquire shares in the Parent Company at £1 per share that are held in Trust until the sale of the Parent Company.

The terms and conditions of shares acquired are as follows:

Grant date	Method of settlement accounting	Number of instruments	Vesting conditions
Granted by parent (Education Personnel Holdco Limited) on 24 January 2014	Equity	53 1p H shares	Employees must be in employment on the sale of the Parent Company
Granted by parent (Education Personnel Holdco Limited) on 16 May 2014	Equity	206 1p H shares	Employees must be in employment on the sale of the Parent Company
Granted by parent (Arthur Topco Limited) on 12 November 2014	Equity	18,510 1p C shares	Employees must be in employment on the sale of the Parent Company

The fair value of the shares acquired by employees during the year were as follows:

	24 Jan 2014 £	16 May 2014 £	12 Nov 2014 £
Fair value at measurement date- H shares	650	3,363	n/a
Fair value at measurement date- C shares	n/a	n/a	nil

Notes (continued)

21 Employee share schemes (continued)

Valuation of shares

The value of shares have been determined by reference to an average EV/EBITDA multiple of comparable companies. This resulted in values for H shares of £650 (after applying a 50% minority shareholding discount) at 24 January 2014, £3,363 (with no discount for minority shareholding) at 16 May 2014 and nil value for C shares at 12 November 2014 respectively.

Shares are awarded under a service condition and a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received.

The total expenses recognised for the year arising from share based payments are as follows:

	2014 £000	2013 £000
Equity settled share based payments	747	24
	<u>747</u>	<u>24</u>

22 Ultimate parent company

The company is a subsidiary undertaking of Education Personnel Bidco Limited, incorporated in the UK. The ultimate parent company is Arthur Topco Limited for which there is no ultimate controlling party.

The largest group and smallest group in which the results of the company are consolidated is that headed by Arthur Topco Limited, incorporated in the UK. The consolidated accounts of Arthur Topco Limited are available to the public and may be obtained from Company Secretary, Arthur Topco Limited, 99 Bridge Road East, Welwyn Garden City, Hertfordshire, AL7 1GL.