

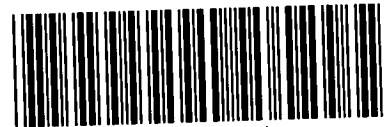
**Protocol Education Limited**

**Annual report and financial statements**

**Registered number 2926583**

**For the year ended 30 November 2018**

TUESDAY



\*A8B9WS4Y\*

A11

06/08/2019

#231

COMPANIES HOUSE

## **Company Information**

Directors	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

## **Contents**

<b>Strategic Report</b>	<b>1</b>
<b>Managing Director's report</b>	<b>2</b>
<b>Directors' report</b>	<b>3</b>
<b>Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements</b>	<b>4</b>
<b>Independent auditor's report to the members of Protocol Education Limited</b>	<b>5</b>
<b>Profit and Loss Account and Other Comprehensive Income</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Notes</b>	<b>11</b>

## **Strategic Report**

### **Principal activity**

The principal activity of the company in the year under review was that of the provision of teaching staff to schools.

### **Results and business review**

The results for the year and financial position at the end of the year are as shown in these financial statements. The review of the business is described in the Directors' report on page 3.

### **Principal risks and uncertainties**

The company operates in a specialist recruitment market and competes with a large number of competitors, many of whom are small agencies supplying the local schools in their area. Damage to the reputation of the company is a key risk and is regularly reviewed through customer surveys and evaluation of the regular/daily feedback obtained from schools with regards to staff supplied.

The company operates under strict guidelines with regards to the staff it can supply and the vetting and recruitment checks required prior to temporary workers being supplied to education establishments. The Department for Education regularly assesses these requirements and the Directors have set in place controls to monitor closely the need for any alterations to the company's processes and procedures. Whilst changes in legislation and the environment are risks faced, the Directors believe that the investment in the company's operating systems as well as the responsive nature of the management team enable any changes to be understood and used to further benefit the company by actively responding to the changes to support our clients and ease the additional burdens placed upon them.

As with any recruitment business, relationship building is a key requirement and coupled with the investment placed in our staff there is a risk of losing relationships and not making a return from the investment where staff turnover is high. Protocol Education invests significant resources in staff development and career management, thereby focusing on reducing turnover. The company has a dedicated HR function, has held the Investors in People award for a number of years and has a career ladder infrastructure for operational staff. The Directors monitor staff turnover on a monthly basis.

Under its banking facilities, the group operates a cross company guarantee and currently the key financing risks are due to interest rate variability.

### **Key performance indicators**

The company and directors benefit from a well-developed operating system, which provides a large number of relevant key performance reports. The key performance indicator of days out is available to the directors in real time and compared to prior years and budget. This can be analysed by business sector, region, branch and client allowing management to respond to changes in business levels by redirecting resources.

Further indicators are also prepared including cash reports, monthly management accounts and a variety of HR indicators, including consultant activity and staff turnover.

## Managing Director's report


I am reporting on a positive period of trading for Protocol Education Limited. Whilst government spending on education and schools remained constrained as a result of its wider spending policies, a combination of strong margin management and control of overheads was able to offset a small 3.6% decrease in turnover. This resulted in gross profit growing to £10.08m with overheads reducing by 4.5% to deliver operating profit of £5.95m which is an increase of 6.9% on the prior year.

The company saw resilient demand for its services from schools during the year but experienced some localised impact on the need for supply teachers and support workers as a result of their budget challenges. This, combined with the company's continued staff turnover at higher levels than desired meant sales growth was impeded to some degree. During the year the company has benefited from a number of operational and tactical changes that made the business and operating model stronger and more adaptable to market changes.

The company expects demand for its services to remain positive in 2019 and when combined with the impact of the ongoing business improvements, anticipates a positive future financial performance as a result.

We continue to be vigilant and sensitive to the obvious risks facing a business where we are involved in providing services to children, and we continue therefore to invest considerable time and resources ensuring our vetting and referencing procedures remain robust. To this end our staff is trained rigorously and our technology and business processes refined regularly to ensure our risk is minimised. In addition, we continue to operate, at every level within the business, under prudent and tightly managed financial management controls.

We look forward to the year ahead with a strong focus on supporting the needs of our schools and candidates and delivering improved business performance.



**J Bowman**  
Director

247 Tottenham Court Road  
London  
W1T 7QW

## 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:

P Swain  
J Bowman  
J Roback

### Financial instruments

The company closely monitors price pressure in the market and the creditworthiness of its customers, the vast majority of which are funded by the state. Cash is reviewed daily and sufficient controls put in place to minimise cash flow risk.

### Dividends

The directors do not recommend the payment of a dividend (2017: *£nil*).

### Employees

It is the company's policy to communicate with and involve employees on matters affecting their interests at work, and inform them of the performance of the business. It is also the company's policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for the position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in another position.

### Political contributions

The company made no political donations or incurred any political expenditure during the year (2017: *£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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### 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



J Roback  
Company Secretary

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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



**KPMG LLP**

58 Clarendon Road  
Watford  
WD17 1DE  
United Kingdom

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

### **Opinion**

We have audited the financial statements of Protocol Education Limited ("the company") for the year ended 30 November 2018 which comprise the Strategic Report, the Directors' report, the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").



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

### **Going concern (continued)**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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. We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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


### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



14<sup>th</sup> May 2019

**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 and Other Comprehensive Income**  
*for the year ended 30 November 2018*

	<i>Notes</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>58,509</b>	<b>60,711</b>
<b>Cost of sales</b>		<b>(48,425)</b>	<b>(50,815)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>10,084</b>	<b>9,896</b>
<b>Administrative expenses</b>		<b>(4,134)</b>	<b>(4,329)</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>5,950</b>	<b>5,567</b>
<b>Interest receivable and similar income</b>	<b>6</b>	<b>17</b>	<b>4</b>
<b>Interest payable and similar charges</b>	<b>7</b>	<b>(19)</b>	<b>(19)</b>
<b>Dividend income</b>		<b>43</b>	<b>-</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>5,991</b>	<b>5,552</b>
<b>Tax on profit on ordinary activities</b>	<b>8</b>	<b>(1,587)</b>	<b>(1,513)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>4,404</b>	<b>4,039</b>
		<hr/>	<hr/>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>4,404</b>	<b>4,039</b>
		<hr/>	<hr/>

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

The notes on pages 11 to 22 form part of the financial statements.

**Balance sheet**  
*at 30 November 2018*

	Notes	2018 £000	2017 £000
<b>Fixed assets</b>			
Investments	9	1	1
Intangible assets	10	595	863
Tangible assets	11	319	484
		<u>915</u>	<u>1,348</u>
<b>Current assets</b>			
Debtors	12	48,376	48,358
Cash at bank and in hand		6,950	3,026
		<u>55,326</u>	<u>51,384</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(7,904)</u>	<u>(8,801)</u>
<b>Net current assets</b>		<u>47,422</u>	<u>42,583</u>
<b>Total assets less current liabilities</b>		<u>48,337</u>	<u>43,931</u>
<b>Net assets</b>		<u>48,337</u>	<u>43,931</u>
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Profit and loss account		48,336	43,930
<b>Total shareholder's funds</b>		<u>48,337</u>	<u>43,931</u>

The notes on pages 11 to 22 form part of the financial statements.

These financial statements were approved by the board of directors on 14 May 2019 and were signed on its behalf by:

  
J Bowman  
Director

Company registered number: 2926583

## Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 December 2016	1	39,891	39,892
<b>Total comprehensive income for the period</b>			
Profit or loss	-	4,039	4,039
Total comprehensive income for the period	-	4,039	4,039
<b>Balance at 30 November 2017</b>	<b>1</b>	<b>43,930</b>	<b>43,931</b>
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 December 2017	1	43,930	43,931
<b>Transaction with owners</b>			
Equity settled share based payments	-	2	2
Total transactions with owners	-	2	2
<b>Total comprehensive income for the period</b>			
Profit or loss	-	4,404	4,404
Total comprehensive income for the period	-	4,404	4,404
<b>Balance at 30 November 2018</b>	<b>1</b>	<b>48,336</b>	<b>48,337</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Protocol Education Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The company is exempt by virtue of s400 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.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease incentives – for leases commenced before 1 December 2015 the company continued to account for lease incentives under previous UK GAAP.

The company's ultimate parent undertaking, Arthur Topco Limited includes the company in its consolidated financial statements. The consolidated financial statements of Arthur Topco Limited are available to the public and may be obtained from the address in note 18. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Arthur Topco Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the company has not retrospectively changed its accounting under old UK GAAP accounting estimates.

There are no judgments made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries carried at cost less impairment.

#### 1.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Short leasehold property      over the lease term
- Furniture and IT equipment      4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### 1.4 Impairment excluding deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Impairment excluding deferred tax assets (continued)

##### Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss recognized on goodwill is not reversed. An impairment loss recognized for other assets is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.5 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Employee benefits

##### *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.

#### 1.7 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.9 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.

#### **1.10 Intangible assets, goodwill and negative goodwill**

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *Negative goodwill*

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

##### *Amortisation*

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## Notes (continued)

### 2 Analysis of turnover

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

### 3 Expenses and auditor's remuneration

	2018 £000	2017 £000
<i>Included in profit/loss are the following:</i>		
Depreciation and other amounts written off tangible owned assets	237	256
Hire of other assets - operating leases	830	694
Goodwill amortisation	268	268
<i>Auditor's remuneration:</i>		
Audit of these financial statements	22	20
Amounts receivable by the auditors and their associates in respect of:		
Other services to taxation	-	-

### 4 Remuneration of directors

	2018 £000	2017 £000
Directors' emoluments	97	184

The aggregate emoluments of the highest paid director were £97,000 (2017:£107,000). Other directors' emoluments in respect of services to the company for the year to 30 November 2018 totalling approximately £171,000 (2017: £93,000) were borne by Supporting Education Group Limited.

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was nil (2017: nil).

**Notes (continued)**

**5 Staff numbers and costs**

The aggregate payroll costs were as follows:

	2018 £000	2017 £000
Wages and salaries	8,020	8,012
Social security costs	838	839
Pension costs	137	114
	<u>8,995</u>	<u>8,965</u>

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

	Number of employees	
	2018	2017
Administration	<u>214</u>	<u>213</u>

**6 Interest receivable and similar income**

	2018 £000	2017 £000
Bank interest	<u>17</u>	<u>4</u>

**7 Interest payable and similar charges**

	2018 £000	2017 £000
Bank charges	<u>19</u>	<u>19</u>

## Notes (continued)

### 8 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2018 £000	2017 £000	2017 £000
<i>UK corporation tax</i>				
Current tax on income for the year	1,603		1,496	
Adjustments to tax charge in respect of prior periods	(8)		(17)	
	<hr/>		<hr/>	
Total current tax		1,595		1,479
<i>Deferred tax</i>				
Origination/reversal of timing differences	(9)		39	
Change in tax rate	1		(4)	
Adjustment in respect of prior periods	-		-	
	<hr/>		<hr/>	
Total deferred tax (see note 14)		(8)		35
		<hr/>		<hr/>
Total tax		1,587		1,513
		<hr/>		<hr/>

#### Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	4,404	4,039
Total tax expense	1,587	1,513
	<hr/>	<hr/>
Profit excluding taxation	5,991	5,552
Tax using the UK corporation tax rate of 19% (2017: 19.33%)	1,138	1,073
Group relief claimed	(753)	(1,496)
Payment for group relief	753	1,496
Difference in tax rate	1	(5)
Non-deductible expenses	61	75
Permanent differences	-	-
Income not taxable	(8)	(5)
Adjustments in respect of prior years	(8)	(17)
Effect of transfer pricing adjustments	403	392
	<hr/>	<hr/>
Total tax expense included in profit or loss	1,587	1,513
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 November 2018 has been calculated based on these rates.

## Notes (continued)

### 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

### 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	4,399
Charge for year	268
<b>At 30 November 2018</b>	<b>4,667</b>
<i>Net book value</i>	
At 30 November 2018	595
At 30 November 2017	863

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.

## Notes (continued)

### 11 Tangible fixed assets

	Short leasehold property £000	Furniture and IT equipment £000	Total £000
<i>Cost</i>			
At beginning of year	82	4,266	4,348
Additions	-	76	76
Disposals	-	(4)	(4)
At 30 November 2018	<b>82</b>	<b>4,338</b>	<b>4,420</b>
<i>Accumulated depreciation</i>			
At beginning of year	82	3,782	3,864
Charge for year	-	239	239
Disposals	-	(2)	(2)
At 30 November 2018	<b>82</b>	<b>4,019</b>	<b>4,101</b>
<i>Net book value</i>			
At 30 November 2018	<b>-</b>	<b>319</b>	<b>319</b>
At 30 November 2017	<b>-</b>	<b>484</b>	<b>484</b>

### 12 Debtors

	2018 £000	2017 £000
Trade debtors	5,787	5,802
Deferred tax asset (see note 14)	59	51
Other debtors	63	9
Prepayments and accrued income	2,274	1,719
Amount owed by group companies	40,193	40,303
Corporation tax	-	474
	<b>48,376</b>	<b>48,358</b>

### 13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	393	397
Amounts owed to group undertakings	1,275	2,808
Corporation tax	433	-
Other taxation and social security	4,198	3,449
Other creditors	810	779
Accruals and deferred income	795	1,368
	<b>7,904</b>	<b>8,801</b>

## Notes (continued)

### 14 Deferred tax asset

	2018 £000	2017 £000
At beginning of year	51	86
Charge for the year	8	(35)
<b>At end of year</b>	<b>59</b>	<b>51</b>

*The elements of deferred taxation are as follows:*

	2018 £000	2017 £000
Difference between accumulated depreciation and amortisation and capital allowances	59	45
Other timing differences	-	6
<b>Deferred tax asset (note 12)</b>	<b>59</b>	<b>51</b>

### 15 Capital and reserves

#### Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
852,500 ordinary shares of £0.001 each	853	853
<b>Shares classified in shareholder's funds</b>	<b>853</b>	<b>853</b>

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

### 16 Commitments

a) The company had no capital commitments at the end of the financial year (2017: £nil).

b) Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
<b>Land and buildings</b>		
Less than one year	835	738
Between one and five years	1,010	1,507
More than five years	305	318
<b></b>	<b>2,150</b>	<b>2,563</b>



## **Notes (continued)**

### **17 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 2018 was £79,686,000 (2017: £85,147,000).

### **18 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.