

REGISTERED NUMBER: 02926583 (England and Wales)

Protocol Education Limited
Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 30th November 2019

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Protocol Education Limited

Contents of the Financial Statements for the Year Ended 30th November 2019

	Page
Company Information	1
Chief Executive Officer's Report	2
Strategic Report	3
Report of the Directors	4
Independent Auditor's Report	6
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Protocol Education Limited

Company Information **for the Year Ended 30th November 2019**

DIRECTORS:

John Bowman
Jonathan Roback
Penelope Swain

SECRETARY:

Jonathan Roback

REGISTERED OFFICE:

247 Tottenham Court Road
London
W1T 7QW

REGISTERED NUMBER:

02926583 (England and Wales)

AUDITOR:

KPMG LLP
58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

Protocol Education Limited

Chief Executive Officer's Report for the Year Ended 30th November 2019

I am reporting on a solid period of trading for Protocol Education Limited. With positive market demand for supply services from schools during the year, the company experienced some challenges but was able to combine strong margin management and control of overheads to offset a reduction in turnover and a 4.6% decline in gross profit to deliver operating profit of £5.99m which is an increase of 1% on the prior year.

The December General Election campaigns signalled promises of future increased education sector spending by all political parties and the company was pleased to see additional spending levels confirmed by the new government at the start of its 2019/20 financial year. This is expected to support strong demand from schools for supply and workforce services.

There were positive improvements made in the business during the reporting period but some ongoing operational challenges and higher than desired staff turnover remained. This required the company to start a rightsizing programme to reduce costs and prepare the business for stronger future growth. This programme has been successfully completed during 2019/20.

As a result of Covid-19 the company now faces the risk of interruptions to trading following large-scale disruption to schools in England and Wales. Currently the company has been able to maintain a level of service provision and revenue generation, contributing to its ongoing strong financial position as part of Supporting Education Group. In addition, government announcements for extra spending to support education catch-up for pupils and schools returning in September are both expected to support demand for the company's services in 2019/20.

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 well-positioned to support the needs of our clients and candidates through existing and newly developed services.



J Bowman
Group Chief Executive Officer

Protocol Education Limited

Strategic Report

for the Year Ended 30th November 2019

The directors present their strategic report for the year ended 30th November 2019.

REVIEW OF BUSINESS

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 Chief Executive Officer's report on page 2.

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. Teaching Personnel 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.

As a result of Covid-19 the company now faces the risk of interruptions to trading following large-scale disruption to schools in England and Wales. Currently the business has been able to maintain a level of service provision and revenue generation, supporting ongoing cash collection and financial robustness.

The directors have considered the potential impact and associated risks of the UK leaving the EU and they do not expect Brexit to have any significant impact on the company's prospects or performance.

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.

BY ORDER OF THE BOARD:



Jonathan Roback - Secretary

Date: 3/11/2020

Protocol Education Limited

Report of the Directors for the Year Ended 30th November 2019

The directors present their report with the financial statements of the company for the year ended 30th November 2019.

PRINCIPAL ACTIVITY

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

DIVIDENDS

No dividends will be distributed for the year ended 30th November 2019.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st December 2018 to the date of this report.

John Bowman
Jonathan Roback
Penelope Swain

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.

POLITICAL DONATIONS AND EXPENDITURE

The company made no political donations or incurred any political expenditure during the year (2018: £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.

IMPACT OF COVID-19

The COVID-19 virus has caused upheaval worldwide and, like many other businesses, the Company has experienced a significant impact on business and a decline in revenue in 2020. The directors have prepared forecast budgets and cash flows for the Company for a period of at least 12 months from the date of their approval of these financial statements. Management's forecasts show that despite the negative impact of COVID-19 the Company will continue to meet its financial obligations for the foreseeable future.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

Protocol Education Limited

Report of the Directors for the Year Ended 30th November 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself 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:



Jonathan Roback - Secretary

Date:

3/11/2020

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 30th November 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th November 2019 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.

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").

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 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.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

Independent Auditor's Report to the Members of Protocol Education Limited

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 on pages 4 and 5, 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.

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.

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.



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

Date: 3rd November 2020

Protocol Education Limited

Statement of Comprehensive Income for the Year Ended 30th November 2019

	Notes	2019 £'000	2018 £'000
TURNOVER		54,686	58,509
Cost of sales		<u>(45,069)</u>	<u>(48,425)</u>
GROSS PROFIT		9,617	10,084
Administrative expenses		<u>(3,639)</u>	<u>(4,134)</u>
OPERATING PROFIT	4	5,978	5,950
Income from shares in group undertakings		-	43
Interest receivable and similar income		<u>35</u>	<u>17</u>
		6,013	6,010
Interest payable and similar expenses	5	<u>-</u>	<u>(19)</u>
PROFIT BEFORE TAXATION		6,013	5,991
Tax on profit	6	<u>(1,711)</u>	<u>(1,587)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>4,302</u>	<u>4,404</u>

The notes form part of these financial statements

Protocol Education Limited (Registered number: 02926583)

Balance Sheet

30th November 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	7	327	595
Tangible assets	8	240	319
Investments	9	<u>1</u>	<u>1</u>
		568	915
 CURRENT ASSETS			
Debtors	10	56,611	48,376
Cash at bank		<u>2,501</u>	<u>6,950</u>
		59,112	55,326
CREDITORS			
Amounts falling due within one year	11	<u>(7,037)</u>	<u>(7,904)</u>
NET CURRENT ASSETS		52,075	47,422
 NET ASSETS		52,643	48,337
 CAPITAL AND RESERVES			
Called up share capital	14	1	1
Retained earnings		<u>52,642</u>	<u>48,336</u>
SHAREHOLDERS' FUNDS		52,643	48,337

The financial statements were approved by the Board of Directors on 3/11/2020 and were signed on its behalf by:



 John Bowman - Director

The notes form part of these financial statements

Protocol Education Limited

Statement of Changes in Equity for the Year Ended 30th November 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st December 2017	1	43,930	43,931
Changes in equity			
Profit for the year	-	4,404	4,404
Total comprehensive income	-	4,404	4,404
Equity settled share based payment	-	2	2
Balance at 30th November 2018	1	48,336	48,337
Changes in equity			
Profit for the year	-	4,302	4,302
Total comprehensive income	-	4,302	4,302
Equity settled share based payment	-	4	4
Balance at 30th November 2019	1	52,642	52,643

The notes form part of these financial statements

Protocol Education Limited

Notes to the Financial Statements for the Year Ended 30th November 2019

1. STATUTORY INFORMATION

Protocol Education Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Protocol Education Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Arthur Topco Limited, 99 Bridge Road East, Welwyn Garden City, Hertfordshire, AL7 1GL.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, including COVID-19, are set out in the Strategic Report and the Directors' Report.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

2. ACCOUNTING POLICIES - continued

Going concern - continued

As with all organisations, the Company is facing up to the challenges posed by the COVID-19 pandemic and this has been considered as part of the going concern assessment. The Directors have prepared cash flow forecasts for the 13 month period to 30 November 2021 which indicate that, taking account of severe but plausible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds, through funding from its Ultimate Parent Company, Arthur Topco Limited, to meet its liabilities as they fall due for that period.

In preparing these forecasts, the Directors have considered the impact of COVID-19 and are dependent on Arthur Topco Limited (the Ultimate Parent Company) providing additional financial support during that period.

Arthur Topco Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant judgements and 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.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

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.

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

2. ACCOUNTING POLICIES - continued

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.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost less impairment.

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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Protocol Education Limited

Notes to the Financial Statements - continued **for the Year Ended 30th November 2019**

2. ACCOUNTING POLICIES – continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in 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 using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

Pension costs and other 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.

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.

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

2. ACCOUNTING POLICIES - 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.

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.

Profit and loss

The profit for the current and preceding period is derived from continuing activities.

There is no difference between the historical cost profit and loss and that presented in the statement of comprehensive income.

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.

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

2. ACCOUNTING POLICIES - continued

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.

3. EMPLOYEES AND DIRECTORS

	2019 £'000	2018 £'000
Wages and salaries	7,662	8,020
Social security costs	839	838
Other pension costs	<u>175</u>	<u>137</u>
	<u>8,676</u>	<u>8,995</u>

The average number of employees during the year was as follows:

	2019	2018
Administration	<u>212</u>	<u>214</u>

	2019 £'000	2018 £'000
Directors' remuneration	<u>111</u>	<u>97</u>

The aggregate emoluments of the highest paid director was £111,000 (2018: £97,000). Pension contributions of £5,228 (2018: £4,870) were made on behalf of this director.

Other directors' emoluments in respect of services to the company for the year to 30 November 2019 totalling approximately £178,000 (2018: £171,000) were borne by Supporting Education Group Limited.

There were no directors in respect of whose services shares were received or receivable under long term incentive schemes (2018: nil).

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

4. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £'000	2018 £'000
Other operating leases	893	830
Depreciation - owned assets	171	237
Loss on disposal of fixed assets	-	2
Goodwill amortisation	268	268
Auditors' remuneration	23	22
Foreign exchange differences	<u>5</u>	<u>13</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Bank charges	<u>-</u>	<u>19</u>

6. TAXATION

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

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
UK corporation tax				
Current tax on income for the year	1,729		1,603	
Adjustment in respect of previous periods	<u>12</u>		<u>(8)</u>	
Total current tax		1,741		1,595
Deferred tax				
Origination/reversal of timing differences	(22)		(9)	
Adjustment in respect of previous periods	(11)		-	
Effect of tax rate change	<u>3</u>		<u>1</u>	
Total deferred tax		<u>(30)</u>		<u>(8)</u>
Total tax charge		<u>1,711</u>		<u>1,587</u>

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	<u>6,013</u>	<u>5,991</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,142	1,138
Effects of:		
Expenses not deductible for tax purposes	60	61
Income not taxable for tax purposes	-	(8)
Adjustments to tax charge in respect of previous periods	1	(8)
Transfer pricing adjustments	506	403
Tax rate changes	2	1
Group relief claimed	(1,107)	(753)
Payment for group relief	<u>1,107</u>	<u>753</u>
Total tax charge	<u>1,711</u>	<u>1,587</u>

7. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1st December 2018 and 30th November 2019	<u>5,262</u>
AMORTISATION	
At 1st December 2018	4,667
Amortisation for year	<u>268</u>
At 30th November 2019	<u>4,935</u>
NET BOOK VALUE	
At 30th November 2019	<u>327</u>
At 30th November 2018	<u>595</u>

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.

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

8. TANGIBLE FIXED ASSETS

	Freehold property £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST				
At 1st December 2018	82	1,460	2,878	4,420
Additions	-	27	66	93
Disposals	-	-	(3)	(3)
At 30th November 2019	<u>82</u>	<u>1,487</u>	<u>2,941</u>	<u>4,510</u>
DEPRECIATION				
At 1st December 2018	82	1,377	2,642	4,101
Charge for year	-	40	131	171
Eliminated on disposal	-	-	(2)	(2)
At 30th November 2019	<u>82</u>	<u>1,417</u>	<u>2,771</u>	<u>4,270</u>
NET BOOK VALUE				
At 30th November 2019	<u>-</u>	<u>70</u>	<u>170</u>	<u>240</u>
At 30th November 2018	<u>-</u>	<u>83</u>	<u>236</u>	<u>319</u>

9. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1st December 2018 and 30th November 2019	<u>1</u>
NET BOOK VALUE	
At 30th November 2019	<u>1</u>
At 30th November 2018	<u>1</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Protocol Teachers International Pty Limited
Registered office: Australia
Nature of business: Provision of teaching staff

Class of shares:	%
Ordinary shares	holding 100.00

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

9. FIXED ASSET INVESTMENTS - continued

Protocol Education Limited

Registered office: New Zealand

Nature of business: Provision of teaching staff

	%
Class of shares:	holding
Ordinary shares	100.00

Protocol Teachers Limited

Registered office: New Zealand

Nature of business: Provision of teaching staff

	%
Class of shares:	holding
Ordinary shares	100.00

Protocol Education (Canada) Limited

Registered office: Canada

Nature of business: Provision of teaching staff

	%
Class of shares:	holding
Ordinary shares	100.00

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade debtors	5,277	5,787
Amounts owed by group undertakings	49,271	40,193
Other debtors	99	63
Deferred tax asset	89	59
Prepayments and accrued income	<u>1,875</u>	<u>2,274</u>
	<u>56,611</u>	<u>48,376</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	378	393
Amounts owed to group undertakings	1,534	1,275
Tax	201	433
Social security and other taxes	3,372	4,198
Other creditors	787	810
Accruals and deferred income	<u>765</u>	<u>795</u>
	<u>7,037</u>	<u>7,904</u>

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

12. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £'000	2018 £'000
Within one year	790	835
Between one and five years	671	1,010
In more than five years	<u>224</u>	<u>305</u>
	<u>1,685</u>	<u>2,150</u>

13. DEFERRED TAX

	2019 £'000	2018 £'000
At the beginning of the year	59	51
Credit for the year (see note 6)	19	8
Prior year adjustment (see note 6)	<u>11</u>	<u>-</u>
At the end of year	<u>89</u>	<u>59</u>

The elements of deferred taxation are as follows:

	2019 £'000	2018 £'000
Difference between accumulated depreciation and amortisation capital allowances	46	59
Other timing differences	<u>43</u>	<u>-</u>
Deferred tax asset (see note 10)	<u>89</u>	<u>59</u>

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019 £'000	2018 £'000
Number:	Class:	Nominal value:		
852,500	Ordinary shares	£0.00 1	<u>1</u>	<u>1</u>

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

Protocol Education Limited

Notes to the Financial Statements - continued for the Year Ended 30th November 2019

15. ULTIMATE PARENT COMPANY

Arthur Topco Limited is regarded by the directors as being the company's 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.

16. 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 2019 was £81,042,000 (2018: £79,686,000).

17. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Contracted but not provided for in the financial statements	<u>-</u>	<u>-</u>

18. EMPLOYEE SHARE SCHEMES

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

	2019 £'000	2018 £'000
Equity settled share based payments	<u>4</u>	<u>2</u>
	<u>4</u>	<u>2</u>

19. SUBSEQUENT EVENTS

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by the UK government to contain the virus, including closing all schools to all bar the children of key workers and those with an Education and Health Care Plan (EHCP) and cancelling exams have caused interruptions to the company's trading.

As a result, revenue in financial year ending November 2020 to date has been negatively impacted. Although the company has maintained a level of business, this has been lower than forecast. The company has continued to collect cash and maintains a strong financial position.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the company may experience further negative results. However, with the announcement on 19th June 2020 that all schools will return in September 2020 and the implementation by the government of a £1bn support package to schools to tackle the impact of lost teaching time, the directors are optimistic that trading can return to normal in the 2020/21 academic year.