Registered number 6332481

Ingleby (1742) Limited

Report and Financial Statements

31 July 2008

Registered No: 6332481

Directors
D Wright
S Pittock
S Newton
J Mannering
S Dinnen
B Alexander

Secretary
J Mannering

Auditors
Ernst & Young LLP
20 Chapel Street
Liverpool
L3 9AG

Bankers
Barclays Bank PLC
15 Colmore Row
Birmingham
B3 2WN

Solicitors
Wragge & Co.
55 Colmore Row
Birmingham
B3 2AS

Registered Office
Aldford House
Lloyd Drive
Ellesmere Port
Cheshire
CH65 9HQ

Directors' report

The company was incorporated on 2 August 2007.

The directors present their report and financial statements for the period ended 31 July 2008.

Results and dividends

The loss for the period, after taxation, amounted to £2,205,000. The directors recommend no dividend for the period.

Principal activity and review of the business

The group's principal activity during the period was the provision of training and assessment of apprenticeships, national vocational qualifications and associated services to learners largely in the 16-24 age range.

On 26 September 2007 Protocol Learning Limited sold its entire shareholding in Protocol Skills Limited to Ingleby (1743) Limited. Ingleby (1743) Limited is wholly owned by Ingleby (1742) Limited which in turn is majority owned by Close Securities Limited.

The company operates in a fragmented market with a number of UK wide providers.

The majority of the group's activities are currently funded by the Learning and Skills Council ("LSC") in England and equivalent bodies in Wales, Scotland and Northern Ireland.

The Government remains committed to improving the UK's competitiveness and continue to increase funding within the training and skills environment.

During the year the company has substantially improved its qualification achievement levels consistent with Government policy, and received satisfactory service delivery inspection reports. The company has continued to grow its contract values.

Reliable market and competitive data has historically been difficult to compile.

The company's key financial indicators during the period were as follows:

	2008 £'000
Turnover	32,175
Operating profit	2,982
Shareholders funds	(1,009)

Strategy and future outlook

The directors expect to continue to improve qualification achievement levels and win improved funding body contracts, particularly in Train to Gain, over the next few years

The company's strategic objectives have been set in the light of Government funding availability and include:

- increasing the proportion of learners sourced from large corporate business
- growing the number of learners by taking a greater share of available Government contracts on the back of improved achievement levels
- improving the efficiency of service delivery through the introduction of field based IT systems

Directors' report

Principal risks and uncertainties

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

Competition

The company operates in a competitive environment with other providers and seeks to maximise its revenue streams by taking a greater share of available funds by improving the quality of its services and as a result of a general reduction in the number of high quality providers across the UK.

Funding

The company is materially dependent on the size of the Government contracts it is awarded. Such contracts can and do vary both in size and make up as a result of changing Government priorities. In order to mitigate this risk the company has focussed on improving achievement rates in order to win bigger contracts, and on effectively engaging with employers to generate greater learner numbers.

Employees

The company's performance depends on its employees and its management structure. The resignation of key individuals and the inability to recruit people of the right experience and skills could adversely impact the future performance. To mitigate this risk the company have in place a number of initiatives designed to reward performance and retain employees.

Financial risk management

The company's operations expose it to a variety of financial risks that include the management of service delivery consistent with funding body contracts, liquidity and interest rate risks. The directors monitor any risk considered to be significant to the company and establish appropriate risk management policies.

The most significant risk is the management of service delivery to meet the terms of funding body contracts, principally linked to achievement levels and total contract spend. The company has implemented policies and procedures to ensure that achievement levels continue to improve, and the total spend does not exceed agreed contract levels.

Liquidity and interest rate risks were managed within the Protocol group until the sale of the company on 26 September 2007, as the company was part of a group pooling arrangement and were funded through inter company balances with entities that carry the group's external debt. Since that date the Group has established appropriate liquidity and interest risk strategies in its own right, and uses derivative financial instruments to manage interest rate costs.

Directors of the company

The directors at 31 July 2008 and during the period were as follows:

Ingleby Holdings Limited (appointed 2 August 2007, resigned 10 September 2007)
D Wright (appointed 10 September 2007)
S Pittock (appointed 10 September 2007)
S Newton (appointed 10 September 2007)
S Dinnen (appointed 26 September 2007)
B Alexander (appointed 26 September 2007)
J Mannering (appointed 15 January 2008)

Directors' report

Employee involvement

The company recognises that its competitive advantage depends on the quality and motivation of the people it employs. Its employment policies, including its commitment to equal opportunity, are designed to attract, retain and motivate high calibre employees regardless of sex, race, religion or disability.

The company considers that effective employee communications are particularly important and is committed to promoting the involvement of all its employees in the achievement of the company's objectives.

Disabled employees

The company recognises its responsibilities towards the disabled and gives full consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

J Mannering
Secretary
2/12/ 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Ingleby(1742) Limited

We have audited the financial statements of Ingleby (1742) Limited for the period ended 31 July 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Shareholders' Funds, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Ingleby(1742) Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Liverpool

2/12/ 2008

Group profit and loss account

for the period ended 31 July 2008

	Notes	2008 £000
Turnover	2	32,175
Cost of sales		(16,979)
Gross profit		15,196
Administrative expenses		(12,214)
Operating profit	3	2,982
Interest receivable	8	153
Interest payable	9	(4,952)
Loss on ordinary activities before taxation		(1,817)
Tax on loss on ordinary activities	10	(388)
Loss on ordinary activities after taxation	20	(2,205)

Statement of total recognised gains and losses

There were no recognised gains or losses other than the loss attributable to shareholders of the company of £2,205,000 in the period ended 31 July 2008.

Group balance sheet

at 31 July 2008

	Notes	2008 £000
Fixed assets		
Intangible assets	12	42,942
Tangible assets	13	1,502
		44,444
Current assets		
Debtors	14	4,455
Cash at bank and in hand		5,307
		9,762
***Creditors**: amounts falling due within one year*	15	(5,172)
Net current assets		4,590
Total assets less current liabilities		49,034
***Creditors**: amounts falling due after one year*	16	(49,861)
Provisions for liabilities and charges	18	(182)
Net liabilities		(1,009)
Capital and reserves		
Called up share capital	19/20	1,196
Profit and loss account	20	(2,205)
		(1,009)

D. W.

D Wright
Director

2/12/ 2008

Company balance sheet
at 31 July 2008

	Notes	*2008* *£000*
Current assets		
Debtors	14	1,110
Cash at bank and in hand		86
		1,196
Creditors: amounts falling due within one year	15	-
Net current assets		1,196
Total assets less current liabilities		1,196
Capital and reserves		
Called up share capital	19/20	1,196
Profit and loss account	20	-
		1,196

D Wright
Director

2/12/ 2008

Group statement of cash flows

for the period ended 31 July 2008

	Notes	2008 £000
Net cash inflow from operating activities	21(a)	6,231
Returns on investments and servicing of finance		
Interest received		153
Interest paid		(1,750)
		(1,597)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets		(898)
Payments to acquire investments		(49,207)
		(50,105)
Financing		
Receipt of bank loans		27,500
Repayment of bank loans		(250)
Issue of loan notes		20,800
Issue of ordinary share capital		1,196
		49,246
Increase in cash		3,775

Reconciliation of net cash flow to movement in net debt

	Notes	2008 £000
Increase in cash	21(b)	3,775
On acquisition		1,532
Cash inflow from new loans		(48,300)
Repayment of loans		250
Roll up of loan interest		(2,686)
Net debt at 31 July 2008		(45,429)

Notes to the financial statements

at 31 July 2008

1. Accounting policies

Basis of preparation

The financial statements of Ingleby (1742) Limited were approved for issue by the Board of Directors on 27 November 2008

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards all of which have been applied consistently throughout the period and the preceding year. Where a choice of treatment is available the directors apply the most appropriate accounting policy and estimation technique in accordance with Financial Reporting Standard 18 (FRS 18).

The group financial statements consolidate the financial statements of Ingleby (1742) Limited and all its subsidiary undertakings drawn up to 31 July each year. No profit and loss account is presented for Ingleby (1742) Limited as permitted by section 230 of the Companies Act 1985

Protocol Skills Limited has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows includes the results and cash flows of Protocol Skills Limited for the ten month period from its acquisition on 26 September 2007. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The financial statements have been prepared by the directors on a going concern basis. Although the group incurred a loss on ordinary activities after taxation this was in line with expectations. Contract growth has been secured for 2008/09 which is ahead of our target. Financing is in place to support the business going forward and we expect to continue to meet our banking covenants.

Investments

All investments are recorded at cost.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Goodwill

Goodwill arising on the acquisition of Protocol Skills Limited has been capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life which is estimated to be 20 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less any provision for diminution in value. Depreciation has been provided at rates appropriate to write off the cost of assets over their estimated useful lives as follows:

Property improvements	- over the lease term
Furniture and IT equipment	- 20% - 33% per annum

Notes to the financial statements

at 31 July 2008

1. Accounting policies (continued)

Provisions for liabilities

Provisions for dilapidations are made on properties where a dilapidation obligation exists and are calculated based on the estimated value of the company's contractual obligations.

Interest rate swaps

The company's criteria for interest rate swaps are:

- the instrument must be related to an asset or liability
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the company balance sheet at the period end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original investment.

Leasing and hire purchase commitments

Rentals under operating leases are charged against income as incurred. The obligation to pay future rentals on operating leases is shown by way of a note to the financial statements.

Pensions and other post-retirement benefits

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

2. Turnover

Revenue represents amounts invoiced to customers, net of value added tax, and is recognised on contracts in line with the delivery of service for each training course. All turnover is derived from the United Kingdom

3. Group operating profit

Operating profit is stated after charging:

	2008
	£000
Depreciation owned fixed assets	739
Amortisation of goodwill	1,867
Operating lease rentals - land and buildings	903
- plant and machinery	55
Auditors' remuneration (see note 4)	56
Loss on disposal of fixed assets	3
Reorganisation costs	238

Reorganisation costs relate to a business reorganisation resulting in a reduction in headcount and property rationalisation costs.

Notes to the financial statements

at 31 July 2008

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	2008
	£000
Audit of the financial statements	30
Taxation services	26
	56

5. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £nil

6. Directors' emoluments

	2008
	£000
Emoluments	463
Company contributions paid to money purchase pension schemes	41

The aggregate emoluments of the highest paid director were £188,581 including £15,320 contributions paid to money purchase pension schemes. Retirement benefits are accruing to one director under the company's money purchase pension scheme.

7. Employee costs

	2008
	£000
Wages and salaries	15,242
Social security costs	1,421
Other pension costs	225
	16,888

The average number of employees during the period, including directors, was as follows:

	2008
	No.
Directors	4
Operational	651
Support	171
	826

Notes to the financial statements

at 31 July 2008

8. Interest receivable

	2008 £000
Bank interest	153

9. Interest payable

	2008 £000
Bank loan interest	1,943
Loan note interest	3,009
	4,952

10. Tax

(a) Tax on loss on ordinary activities

	2008 £000
UK Corporation tax:	
Corporation tax on profits of the period	388

(b) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 29.5%. The differences are reconciled below:

	2008 £000
Loss on ordinary activities	(1,817)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.5%	(536)
Disallowable expenses and non-taxable income	1,123
Depreciation in excess of capital allowances	(196)
Others	(3)
	388

(c) Factors affecting future tax charge

At the balance sheet date, there are no future factors that will significantly affect future tax charges.

Notes to the financial statements

at 31 July 2008

11. Investments

On 26 September Ingleby (1743) Limited purchased the entire share capital of Protocol Skills Limited for the sum of £46,350,000. Fees and costs relating to the deal totalled £2,857,601

	Book value £000
Tangible fixed assets	1,183
Debtors	3,782
Cash and bank	1,532
Creditors due within one year	(1,882)
Provisions	(217)
Net assets	4,398
Goodwill arising on acquisition	44,809
	49,207
Discharged by:	
Cash	46,350
Costs associated with the acquisition	2,857
	49,207

The investment in Protocol Skills Limited has been included in the company's balance sheet at its book value at the date of acquisition. The directors consider that there is no difference between book value and fair value and therefore no revaluation adjustments have been made.

Protocol Skills Limited earned a profit after tax of £5,271,000 in the 13 month period to 31 July 2008 (12 months to 30 June 2007 - £5,319,000) of which £1,016,000 arose in the period from 1 July 2007 to 26 September 2007. The summarised profit and loss account for the period from 1 July 2007 to the effective date of acquisition is as follows:

	£000
Turnover	9,030
Operating profit	980
Interest receivable	36
Profit before taxation	1,016
Taxation	-
Profit after taxation	1,016

There were no recognised gains in the period ended 26 September 2007 other than the profit of £1,016,000 above.

Notes to the financial statements

at 31 July 2008

12. Intangible fixed assets

	Goodwill
	£000
Cost:	
Additions	44,809
At 31 July 2008	44,809
Amortisation:	
Provided during period	1,867
At 31 July 2008	1,867
Net book value:	
At 31 July 2008	42,942

13. Tangible fixed assets

	Short leasehold property	*Furniture and IT equipment*	*Total*
	£000	*£000*	*£000*
Cost:			
At acquisition	580	2,851	3,431
Additions	25	874	899
Disposals	(76)	(4)	(80)
At 31 July 2008	529	3,721	4,250
Depreciation:			
At acquisition	411	1,838	2,249
Provided during period	64	512	576
Disposals	(76)	(1)	(77)
At 31 July 2008	399	2,349	2,748
Net book value:			
At 31 July 2008	130	1,372	1,502
At acquisition	169	1,013	1,182

Notes to the financial statements

at 31 July 2008

14. Debtors

	Group 2008 £000	Company 2008 £000
Trade debtors	4,226	-
Other debtors	229	-
Amounts due from group undertaking	-	1,110
	4,455	1,110

15. Creditors: amounts falling due within one year

	Group 2008 £000	Company 2008 £000
Trade creditors	345	-
Corporation tax	388	
Other taxes and social security costs	530	-
Other creditors	1,315	-
Accruals	1,719	-
Loans	875	-
	5,172	-

16. Creditors: amounts falling due after one year

	Group 2008 £000	Company 2008 £000
Loans	49,861	-

Notes to the financial statements

at 31 July 2008

17. Loans

	Group *2008* *£000*	*Company* *2008* *£000*
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years	-	-
Not wholly repayable within five years	50,736	-
	50,736	-

Details of loans not wholly repayable within five years are as follows:

Bank loans	27,250
16.5% Investor loan notes	23,486
	50,736

The bank loans were drawn down under an agreement dated 26 September 2007, and are repayable over nine years. The rate of interest charged ranges from 2.25% to 3.25% above LIBOR. The bank loans are secured by a debenture dated 26 September 2007.

The investor loan notes were issued on 26 September 2007 at an interest rate of 16.5%.

18. Provisions for liabilities and charges

	Group *2008* *£000*	*Company* *2008* *£000*
At 1 July 2007	206	-
Utilised in the period	(24)	-
At 31 July 2008	182	-

The provision represents the estimated value of the company's contractual dilapidations obligations in respect of the leasehold properties that it does or has occupied.

19. Share capital

Authorised	*2008* *£000*
12,000,000 Ordinary shares of 10p each	1,200

Allotted, called up and fully paid	*2008* *£000*
11,955,000 Ordinary shares of 10p each	1,196

Notes to the financial statements

at 31 July 2008

20. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	*Profit and loss account £000*	*Total £000*
Group			
Issued during the period	1,196	-	1,196
Loss for the period	-	(2,205)	(2,205)
At 31 July 2008	1,196	(2,205)	(1,009)
Company			
Issued during the period	1,196	-	1,196
Profit for the period	-	-	-
At 31 July 2008	1,196	-	1,196

21. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Group 2008 £000
Operating profit	2,982
Loss on disposal of fixed assets	3
Depreciation	576
Amortisation	1,867
(Increase) in debtors	(673)
Increase in creditors	1,476
Net cash inflow from operating activities	6,231

(b) Analysis of net debt:

	On acquisition £000	*Cashflow £000*	*Non-cash movements £000*	*At 31 July 2008 £000*
Cash at bank and in hand	1,532	3,775	-	5,307
Loans	-	(48,050)	(2,686)	(50,736)
	1,532	(44,275)	(2,686)	(45,429)

Notes to the financial statements

at 31 July 2008

22. Commitments

The company had no contracted capital expenditure at 31 July 2008.

23. Ultimate parent undertaking and controlling party

Close Securities Limited have a majority shareholding and controlling interest in Ingleby (1742) Limited. Copies of the financial statements of Close Securities Limited are available at their registered office at 10 Throgmorton Avenue, London, EC2N 2DL.

24. Related party transactions

Shares were issued to directors in the period as follows:

	Ordinary 10p Shares
Dan Wright	1,020,000
Sue Pittock	540,000
Sue Newton	540,000
Jeff Mannering	240,000

All shares were issued at par and were settled in the period.