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Eteach UK Limited

Report and Financial Statements

Year Ended

31 July 2003



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BDO Stoy Hayward
Chartered Accountants

ETEACH UK LIMITED

Annual report and financial statements for the year ended 31 July 2003

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

J P Howells
C Stevens
D A S Burn
J A M Sloss

Secretary and registered office

P Giltrap, Academy House, 403 London Road, Camberley, Surrey, GU15 3HL.

Company number

3841479

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

ETEACH UK LIMITED

Report of the directors for the year ended 31 July 2003

The directors present their report together with the audited financial statements for the year ended 31 July 2003.

Results

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activity, review of business and future developments

The company's principal activity is the provision of recruitment services for the education sector, delivered via a community website for the stakeholders in education.

The directors are pleased to report continuing growth in turnover and the company achieving its first profit since incorporation.

Since the year end the company has continued to expand and the directors are confident of further sales growth and future profitability.

In May 2004 the company acquired the entire share capital of a major competitor, Go-Temping Limited, in exchange for the issue of 480,000 ordinary shares of 1p each.

In June 2004 the company completed a rights issue which raised £700,000 through a combination of cash and the conversion of loans.

Directors

The directors of the company during the year, and their interests in the ordinary share capital of the company and options to purchase such shares, were as follows:

	Ordinary shares of 0.1p each 2003	Ordinary shares of 0.1p each 2002	Options 2003	Options 2002
J P Howells	1,117,060	1,117,060	-	-
G A Clarke (resigned 30 April 2003)	230,590	230,590	-	-
C Stevens	92,350	92,350	20,000	20,000

J P Howells' shareholder interest includes 829,060 ordinary shares held in a trust for the benefit of J P Howells and his family.

Details of the directors' share options are shown in note 9. No options were exercised during the period.

D A S Burn and J A M Sloss were appointed directors on 4 May 2004.

ETEACH UK LIMITED

Report of the directors for the year ended 31 July 2003 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 year. 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; 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 which 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.

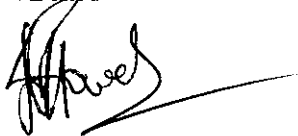
Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

This report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act relating to small companies.

On behalf of the Board

J P Howells
Director



Date 26 August 2004

ETEACH UK LIMITED

Report of the independent auditors

To the shareholders of Eteach UK Limited

We have audited the financial statements of Eteach UK Limited for the year ended 31 July 2003, on pages 5 to 13 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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.

ETEACH UK LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

Date 26 August 2004

ETEACH UK LIMITED**Profit and loss account for the year ended 31 July 2003**

	Note	2003 £	2002 £
Turnover	2	1,410,166	1,203,812
Cost of sales		-	-
Gross profit		1,410,166	1,203,812
Administrative expenses		(1,350,308)	(2,040,207)
Operating profit/(loss)	4	59,858	(836,395)
Interest payable and similar charges		(43,352)	(34,968)
Profit/(loss) on ordinary activities before taxation		16,506	(871,363)
Taxation on profit/(loss) on ordinary activities		-	454,000
Profit/(loss) on ordinary activities after taxation	10	16,506	(417,363)

All amounts relate to continuing activities.

The notes on pages 7 to 13 form part of these financial statements.

ETEACH UK LIMITED

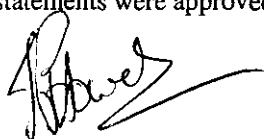
Balance sheet at 31 July 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	5		322,268		303,102
Current assets					
Debtors	6	660,557		750,737	
Cash at bank and in hand		4		75	
		<u>660,561</u>		<u>750,812</u>	
Creditors: amounts falling due within one year	7	<u>1,559,595</u>		<u>1,645,586</u>	
Net current liabilities			<u>(899,034)</u>		<u>(894,774)</u>
Total assets less current liabilities			<u>(576,766)</u>		<u>(591,672)</u>
Creditors: amounts falling due after more than one year	8		<u>1,600</u>		<u>3,200</u>
			<u>(578,366)</u>		<u>(594,872)</u>
Capital and reserves					
Called up share capital	9		1,440		1,440
Share premium account	10		2,496,560		2,496,560
Profit and loss account	10		<u>(3,076,366)</u>		<u>(3,092,872)</u>
Shareholders' deficit - equity			<u>(578,366)</u>		<u>(594,872)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Board on 26 August 2004

J P Howells
Director



The notes on pages 7 to 13 form part of these financial statements.

ETEACH UK LIMITED

Notes forming part of the financial statements for the year ended 31 July 2003

1 Accounting policies

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and under the historical cost convention.

Cash flow statement

The company has taken advantage of the exemption conferred by the Financial Reporting Standard for Smaller Entities not to prepare a cash flow statement.

Turnover and income recognition

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Subscription income is recognised equally over 12 months.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	10% per annum
Computer equipment	33% per annum
Office furniture and equipment	25% per annum

Web site development costs

Development costs are charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period of between two to three years, commencing in the year the company starts to benefit from the expenditure.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately from those of the company in an independently administered fund.

ETEACH UK LIMITED

Notes forming part of the financial statements for the year ended 31 July 2003 (Continued)

1 Accounting policies (Continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Directors

	2003 £	2002 £
Directors' emoluments (including pension contributions)	103,628	201,435

There was one director in the company's defined contribution pension scheme during the year (2002 - 2).

ETEACH UK LIMITED

Notes forming part of the financial statements for the year ended 31 July 2003 (*Continued*)

4 Operating profit/(loss)

	2003 £	2002 £
<i>This has been arrived at after charging:-</i>		
Depreciation of tangible fixed assets	163,417	177,027
Hire of other assets - operating leases	41,533	47,961
Hire of plant and machinery – operating leases	30,521	26,783
Auditors' remuneration – audit services	8,750	10,500
	<u> </u>	<u> </u>

5 Tangible assets

	Leasehold improvements £	Computer equipment £	Office furniture and equipment £	Web site development costs £	Total £
<i>Cost</i>					
At 1 August 2002	20,278	120,612	61,010	437,803	639,703
Additions	-	4,652	3,829	174,102	182,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2003	20,278	125,264	64,839	611,905	822,286
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>					
At 1 August 2002	3,950	78,741	24,821	229,089	336,601
Provided for the year	2,028	36,370	21,455	103,564	163,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2003	5,978	115,111	46,276	332,653	500,018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>					
At 31 July 2003	14,300	10,153	18,563	279,252	322,268
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2002	16,328	41,871	36,189	208,714	303,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book value of tangible fixed assets includes an amount of £1,928 (2002 - £4,031) in respect of assets held under finance leases. The related depreciation charge of these assets for the year was £2,103 (2002 - £2,103).

ETEACH UK LIMITED

Notes forming part of the financial statements for the year ended 31 July 2003 (*Continued*)

6 Debtors

	2003 £	2002 £
Trade debtors	135,700	210,992
Other debtors	25,090	21,249
Prepayments	45,767	64,496
Deferred taxation	454,000	454,000
	<u>660,557</u>	<u>750,737</u>

All amounts shown under debtors fall due for payment within one year.

<i>Deferred taxation</i>	2003 £	2002 £
At 1 August 2002	454,000	-
Credited to profit and loss account	-	454,000
	<u>454,000</u>	<u>454,000</u>
At 31 July 2003	454,000	454,000
	<u>454,000</u>	<u>454,000</u>
<i>Deferred taxation</i>		
Tax losses carried forward to future periods	454,000	454,000
	<u>454,000</u>	<u>454,000</u>

7 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft (secured)	635,619	659,079
Trade creditors	63,747	137,391
Social security and other taxes	70,083	93,029
Obligations under finance leases	1,600	1,600
Other creditors and accruals	302,177	273,490
Deferred income	486,369	480,997
	<u>1,559,595</u>	<u>1,645,586</u>

The bank borrowings are secured by a personal guarantee given by J P Howells, a director of the company.

ETEACH UK LIMITED

Notes forming part of the financial statements for the year ended 31 July 2003 (*Continued*)

8 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases	1,600	3,200
Obligations under finance leases are due as follows:		
	Finance leases 2003 £	Finance leases 2002 £
In more than one year but not more than two years	1,600	1,600
In more than two years but not more than five years	-	1,600
	1,600	3,200

9 Share capital

	Authorised		Allotted, called up and fully paid	
	2003 £	2002 £	2003 £	2002 £
1,440,000 ordinary shares of 0.1p each	1,440	1,440	1,440	1,440

Enterprise Management Incentive Scheme

In March 2001 the directors of the company put in place a share option scheme that suitably incentivised staff and directors. The scheme was approved by the Inland Revenue and the following share options in respect of the ordinary shares were granted and remain unexercised at the year end.

Date of grant	Number of shares	Period of option	Price per share
2001	20,000	2003 - 2011	£1.70
2001	20,000	2004 - 2011	£1.70

ETEACH UK LIMITEDNotes forming part of the financial statements for the year ended 31 July 2003 (*Continued*)**10 Reserves**

	Share premium account £	Profit and loss account £
At 1 August 2002	2,496,560	(3,092,872)
Profit for the year	-	16,506
	<hr/>	<hr/>
At 31 July 2003	2,496,560	(3,076,366)
	<hr/>	<hr/>

11 Commitments under operating leases

As at 31 July 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and buildings £	2003 Other £	2002 Land and buildings £	2002 Other £
Operating leases which expire:				
Within one year	-	4,864	-	-
In two to five years	50,050	-	50,050	25,632
	<hr/>	<hr/>	<hr/>	<hr/>
	50,050	4,864	50,050	25,632
	<hr/>	<hr/>	<hr/>	<hr/>

12 Financial commitments

As at 31 July 2003, the company had the following financial commitments:-

	2003 £	2002 £
Due within one year	-	94,746
	<hr/>	<hr/>

ETEACH UK LIMITED

Notes forming part of the financial statements for the year ended 31 July 2003 (*Continued*)

13 Related party transactions

Included in creditors at the year end is an amount of £250,000 (2002 - £150,000) due to J P Howells, a director of the company. No interest has been charged on this loan. In addition, the balance on J P Howell's current account at the year end was £38,882 due to him from the company (2002 - £55,195).

14 Post balance sheet events

On 4 May 2004 the company's authorised share capital was increased to £1,920 by the creation of an additional 480,000 ordinary shares of 0.1p each.

On the same date the company acquired the entire issued share capital of Go-Temping Limited, a company providing temporary staff for the education sector in consideration for the issue of 480,000 ordinary shares of 0.1p each.

In June 2004 the company completed a rights issue which raised £700,000 through a combination of cash and the conversion of loans.

15 Controlling party

The directors consider that the company was controlled throughout the current and previous period by J P Howells, by virtue of his control over 78% (2002 - 78%) of the ordinary shares of the company.