

Eteach UK Limited

Directors' Report and Consolidated
Financial Statements

Year Ended

31 July 2005

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BDO Stoy Hayward
Chartered Accountants

Eteach UK Limited

Annual report and financial statements for the year ended 31 July 2005

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Consolidated Profit and loss account
6	Consolidated Balance sheet
7	Company Balance Sheet
8	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, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

Eteach UK Limited

Report of the directors for the year ended 31 July 2005

The directors present their report and the consolidated financial statements for the year ended 31 July 2005.

Principal activities

The company's and group's principal activity during the period was provision of recruitment services for the educational sector. There has been no significant changes in the company's and group's activities since the year end.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of 0.1p each 2005	Ordinary shares of 0.1p each 2004	Options 2005	Options 2004
J P Howells	1,266,001	1,266,001	-	-
C Stevens	104,663	104,663	20,000	20,000
D A S Burn	72,197	72,197	-	-
J A M Sloss	471,804	471,804	-	-

J P Howells' shareholder interest includes 939,601 (2004 -939,601) 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 10. No options were exercised during the period.

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 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 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 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.

Eteach UK Limited


Report of the directors for the year ended 31 July 2005 (Continued)

Auditors

The auditors, BDO Stoy Hayward LLP will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

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: 20.12.06

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 2005, on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

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 and other members of the group 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 group's circumstances, consistently applied and adequately disclosed.

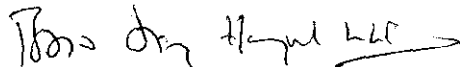
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 group's and the company's affairs as at 31 July 2005 and of the group's loss 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*
Reading

Date: 20 DECEMBER 2006

Eteach UK Limited**Profit and loss account for the year ended 31 July 2005**

	Note	2005 £	2004 £
Turnover	1,2	3,092,695	1,851,095
Cost of sales		(594,005)	(171,511)
Gross profit		2,498,690	1,679,584
Administrative expenses		(2,973,984)	(2,559,127)
Operating loss	4	(475,294)	(879,543)
Loss on ordinary activities before interest		(475,294)	(879,543)
Interest receivable		258	594
Interest payable		(54,556)	(49,292)
Loss on ordinary activities before tax		(529,592)	(928,241)
Tax on profit on ordinary activities		-	18,750
Loss on ordinary activities after tax			
Amount transferred from reserves		(529,592)	(909,491)

All amounts relate to continuing activities.

There were no other recognised gains or losses in the year.

The notes on pages 8 to 15 form part of these financial statements.

Eteach UK Limited


Consolidated Balance sheet at 31 July 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible fixed assets	5		281,924		368,847
Intangible fixed assets	6		675,000		750,000
			<u>956,924</u>		<u>1,118,847</u>
Current assets					
Debtors	8	983,546		1,221,921	
Cash at bank and in hand		18,608		30,334	
		<u>1,002,154</u>		<u>1,252,255</u>	
Creditors: amounts falling due within one year	9	(1,964,027)		(1,846,459)	
		<u></u>		<u></u>	
Net current liabilities			(961,873)		(594,204)
			<u></u>		<u></u>
Total assets less current liabilities			(4,949)		524,643
			<u></u>		<u></u>
Creditors: amounts falling due after more than one year	9		-		-
			<u></u>		<u></u>
			(4,949)		524,643
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	10		2,176		2,176
Share Premium account			3,196,304		3,196,304
Merger reserve			1,312,020		1,312,020
Profit and loss account			(4,515,449)		(3,985,857)
			<u></u>		<u></u>
Shareholders' funds			(4,949)		524,643
			<u></u>		<u></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.

The financial statements were approved by the Board on 20.12.06

J P Howells
Director



The notes on pages 8 to 15 form part of these financial statements.

Eteach UK Limited

Company Balance sheet at 31 July 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible fixed assets	5		281,924		336,403
Investments in subsidiaries	7		750,000		750,000
			<hr/>		<hr/>
			1,031,924		1,086,403
Current assets					
Debtors	8	932,658		1,147,955	
Cash at bank and in hand		4,316		-	
		<hr/>		<hr/>	
		936,974		1,147,955	
Creditors: amounts falling due within one year	9	(1,919,699)		(1,770,395)	
		<hr/>		<hr/>	
Net current liabilities			(982,725)		(622,440)
			<hr/>		<hr/>
Total assets less current liabilities			49,199		463,963
Creditors: amounts falling due after more than one year	9		-		-
			<hr/>		<hr/>
Net liabilities			49,199		463,963
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	10		2,176		2,176
Share Premium account			3,196,304		3,196,304
Merger reserve			1,312,020		1,312,020
Profit and loss account			(4,461,301)		(4,046,537)
			<hr/>		<hr/>
Shareholders' funds			49,199		463,963
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 20.12.06

J P Howells
Director



The notes on pages 8 to 15 form part of these financial statements.

1 Accounting policies

Basis of preparation of financial statements

The accounts have been prepared under the historical cost convention.

The accounts have been prepared using the Financial reporting standard for small and medium size entities (FRSSE effective June 2002).

The company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The company's own profit after taxation and dividends for the year is a loss of £414,764 (2004 - £970,171).

Basis of consolidation

The consolidated accounts incorporate the financial statements of Eteach UK Limited and all of its subsidiary undertakings made up to 31 July 2005. The group uses the acquisition method of accounting to consolidate the results of subsidiary undertakings where the acquisition method is used, the results of the subsidiary undertaking are included from the date of acquisition.

Cash flow statement

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

Turnover

Turnover comprises of membership fees, subscriptions and other operating charges to club members net of 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	20% 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.

1 Accounting policies (Continued)

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.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

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.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

3 Directors

	2005	2004
	£	£
Directors' emoluments (including pension contributions)	188,720	138,033

There was 1 director in the company's defined contribution pension scheme during the year (2004 - 1).

4 Operating loss

	2005	2004
	£	£
The operating loss is stated after charging:-		
Amortisation of intangible fixed assets	75,000	455,123
Depreciation of tangible fixed assets	196,623	207,608
Hire of other assets - operating leases	74,490	71,927
Hire of plant and machinery - operating leases	2,325	1,162
Auditors' remuneration	50,000	9,000

5 Tangible assets

Group	Leasehold improvements £	Computer equipment £	Office fixtures and equipment £	Web site development costs £	Total £
<i>Cost</i>					
At 1 August 2004	14,153	228,549	81,844	808,939	1,133,485
Additions	-	17,753	2,279	108,272	128,304
Disposals	(11,923)	(84,863)	-	-	(96,786)
At 31 July 2005	2,230	161,439	84,123	917,211	1,165,003
<i>Depreciation</i>					
At 1 August 2004	7,428	182,286	70,643	504,281	764,638
Charge for the year	454	17,693	7,493	170,982	196,623
Disposals	(7,398)	(64,654)	(6,129)	-	(78,181)
At 31 July 2005	484	135,325	72,007	675,263	883,079
<i>Net book value</i>					
At 31 July 2005	1,746	26,114	12,116	241,948	281,924
At 31 July 2004	6,725	46,263	11,201	304,658	368,847

Company	Leasehold improvements £	Computer equipment £	Office fixtures and equipment £	Web site development costs £	Total £
<i>Cost</i>					
At 1 August 2004	2,230	143,686	81,844	808,939	1,036,699
Additions	-	17,753	2,279	108,272	128,304
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	2,230	161,439	84,123	917,211	1,165,003
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 August 2004	29	125,343	70,643	504,281	700,296
Charge for the year	455	9,982	7,493	170,982	188,912
Disposals	-	-	(6,129)	-	(6,129)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	484	135,325	72,007	675,263	883,079
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 July 2005	1,746	26,114	12,116	241,948	281,924
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2004	2,201	18,343	11,201	304,658	336,403
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

6 Intangible fixed assets

	£
<i>Costs</i>	
At 1 August 2004 and 31 July 2005	1,205,123
	<hr/>
<i>Amortisation</i>	
At 1 August 2005	(455,123)
charge for the period	(75,000)
	<hr/>
At 31 July 2005	(530,123)
	<hr/>
<i>Net book value</i>	
At 31 July 2005	675,000
	<hr/>
At 31 July 2004	750,000
	<hr/>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

7 Investment in subsidiaries

	£
<i>Costs</i>	
At 1 August 2004 and 31 July 2005	1,353,380
	<u> </u>
<i>Provisions</i>	
At 1 August 2005	(603,380)
Further provision	-
	<u> </u>
At 31 July 2005	(603,380)
	<u> </u>
Net book value	
At 31 July 2005	750,000
	<u> </u>
At 31 July 2004	750,000
	<u> </u>

Eteach UK Limited owns 100% of the ordinary shares of Go-Temping Limited, a company which is incorporated in Great Britain and specialises in the provision of recruitment services for the education sector.

8 Debtors

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Due within one year				
Trade debtors	364,905	444,918	347,463	412,866
Other debtors	47,686	176,731	42,686	67,545
Prepayments	16,955	46,272	16,955	46,272
Amount due from subsidiary undertaking	-	-	71,554	167,272
Deferred taxation	554,000	554,000	454,000	454,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	983,546	1,221,921	932,658	1,147,955
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Deferred taxation				
At 1 August 2004 and 31 July 2005	554,000	554,000	454,000	454,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Deferred taxation				
Tax losses carried forward to future periods	554,000	554,000	454,000	454,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9 Creditors: amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank loans and overdraft (secured)	692,735	628,200	692,635	628,200
Trade creditors	252,274	228,418	208,381	176,010
Social security and other taxes	111,929	91,893	111,491	80,695
Other Loans	152,525	-	152,525	-
Other creditors and accruals	132,263	251,209	132,366	238,751
Deferred income	622,301	646,739	622,301	646,739
	<u>1,964,027</u>	<u>1,846,459</u>	<u>1,919,699</u>	<u>1,770,395</u>

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

10 Called up share capital

	2005 £	2004 £
Authorised, allotted, called up and fully paid		
2,176,000 Ordinary Shares shares of 0.1 pence each	2,176	2,176
	<u>2,176</u>	<u>2,176</u>

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	2004 - 2011	£1.70

Eteach UK Limited**Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)****11 Reserves**

Group	Merger reserve £	Share premium account £	Profit and loss account £
At 1 August 2004	1,312,020	3,196,304	(3,985,857)
Loss for the year	-	-	(529,592)
	<hr/>	<hr/>	<hr/>
At 31 July 2005	1,312,020	3,196,304	(4,515,449)
	<hr/>	<hr/>	<hr/>
 Company			
	Merger reserve £	Share premium account £	Profit and loss account £
At 1 August 2004	1,312,020	3,196,304	(4,046,537)
Loss for the year	-	-	(414,764)
	<hr/>	<hr/>	<hr/>
At 31 July 2005	1,312,020	3,196,304	(4,461,301)
	<hr/>	<hr/>	<hr/>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

12 Commitments under operating leases

As at 31 July 2005, the company had annual commitments under non-cancellable operating leases as set out below:

	2005 Land and buildings £	2005 Other £	2004 Land and buildings £	2004 Other £
Operating leases which expire:				
Within one year				
In two to five years	74,490	2,325	74,490	2,325
	<u>74,490</u>	<u>2,325</u>	<u>74,490</u>	<u>2,325</u>

13 Controlling party

The directors consider that the company was controlled throughout the current and previous period by J P Howells, by value of his control over 58% (2004 : 58%) of the ordinary shares of the company.

14 Related party transactions

Included in the creditors at the year end is an amount of £127,072 (2004: £130,068) due to J P Howells. A director of the company. No interest has been enforced on this loan. In addition the balance on J P Howells current account at the year end was £25,454 due to him from the company (2004: £34,454).

At the year end £71,554 (2004: £167,272) was owed to the company by Go-Temping Limited.

15 Taxation

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period ended 31 July 2005