

Registrar's Copy

Eteach UK Limited

Report and Financial Statements

Year Ended

31 July 2011

Company Number 03841479

FRIDAY



A188E969

A30

04/05/2012

#311

COMPANIES HOUSE

Eteach UK Limited

Report and financial statements for the year ended 31 July 2011

Contents

Directors

Page

1	Report of the directors
4	independent auditor's report
6	Profit and loss account
7	Balance sheet
8	Notes forming part of the financial statements

Directors

J P Howells
G A Clarke
R M Linnell

Secretary and registered office

M Rooker, Ground Floor, South Wing, Norwich House, Camberley, Surrey, GU15 3SY

Company number

03841479

Auditors

BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

Eteach UK Limited

Report of the directors for the year ended 31 July 2011

The directors present their report together with the audited financial statements for the year ended 31 July 2011

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

The directors do not recommend the payment of a dividend

Principal activities

The company's principal activity during the year continued to be that of the provision of recruitment services for the education sector. There have been no changes in the company's own activities in the year under review although, as described further below, the company has provided assistance to and investment in two associated companies which began operations after the year end.

Subsequent to the year end the company has become a subsidiary of The Eteach Group Limited

Review of the business

The key performance indicators used by the directors to monitor the business are percentage of renewing clients, turnover on a year by year basis, website traffic, user numbers and EBITDA.

The profit and loss account is set out on page 6 and shows turnover for the year of £4,639,263 (2010 £4,720,046) and a profit for the year of £447,769 (2010 £633,315). Given the reduction in spend in real terms on education and the consequent reduction in the use of supply teachers, the directors are pleased that the company's broad range of focussed offerings has seen it able to keep revenues stable with only a marginal decrease of 1.7%.

The company's preferred measure of true profitability - EBITDA - was £725,918 for the year (2010 £922,107).

Reported profit before tax and EBITDA dropped substantially but this is entirely due to the conscious decision by the directors to pro-actively invest in the business to ensure the company is able to maintain and improve market share and to position it to be able to take advantage of the opportunities presented by the growth in Academies and Free Schools. Investments were thus made in a dedicated client service team, which has already seen an improvement in client retention rates, in the portfolio of education recruitment products offered by the company, such as Talent Pools, in enhancing our geographic coverage by investing in the creation of Teach In London Limited, and in adding complimentary services to our portfolio with the investments in FCS-Live Limited.

The decision to invest in the business now to provide for the medium to long term financial prosperity of the company, albeit at the sacrifice of short-term profitability, has already borne fruit with a clear improvement in client retention rates, a major education recruitment contract win in London and the awarding of several key contracts with LOCOG across the group.

The Eteach websites, incorporating a variety of bespoke client websites, eteach.com, fejobs.com, talent pools and associated sites, attracted the following user statistics during the financial year:

Eteach	2011	2010	Movement year on year
Visits	6,784,452	6,298,258	7.72%
Unique Users	3,063,952	3,558,575	-13.90%
Candidates Registered	65,908	63,019	4.58%
New Vacancies	32,316	36,002	-10.24%

The website statistics demonstrate both the resilience of the company's market offering as a specialist education recruiter and the ongoing impact of real-term funding reductions in education.

Eteach UK Limited

Report of the directors for the year ended 31 July 2011 (*continued*)

Review of the business (*continued*)

There have been no events since the Balance Sheet date which materially affect the position of the company

Principal risks and uncertainties

The market for the provision of recruitment services for the education sector remains highly competitive and now has the added impact of the real terms reduction in government funding for the sector. As stated above, the company seeks to manage the risks inherent in the sector by pro-actively investing in value-added services which deliver its clients with tangible cost benefits compared to those offered by its competitors. The company has also pro-actively invested in a range of initiatives to ensure it maintains and increases market share.

The company's sole credit risk relates to its trade debtors. As well as ensuring local authorities and individual schools adhere to the Government's published payment term policies, the company operates a robust credit control procedure which checks payments received against client receivables on a daily basis.

Directors

The directors who served during the year were as follows

J P Howells
G A Clarke
R M Linnell (appointed 1 June 2011)

Directors' responsibilities

The directors are responsible for preparing 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 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). 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 accounting 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 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 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 2011 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and offer themselves for reappointment as auditors in accordance with Section 485 of the Companies Act 2006. A resolution to re-appoint them will be proposed at the Annual General Meeting.

In preparing this directors' report advantage has been taken of the small companies' exemption.

On behalf of the Board



J P Howells
Director

Date 25 April 2012

Eteach UK Limited

Independent auditor's report

TO THE MEMBERS OF ETEACH UK LIMITED

We have audited the financial statements of Eteach UK Limited for the year ended 31 July 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Eteach UK Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



*Simon Brooker, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom*

Date 26 April 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Eteach UK Limited

Profit and loss account for the year ended 31 July 2011

	Note	2011 £	2010 £
Turnover	2	4,639,263	4,720,046
Cost of sales		(1,381,674)	(1,261,876)
Gross profit		3,257,589	3,458,170
Administrative expenses		(2,814,464)	(2,815,256)
Operating profit	4	443,125	642,914
Interest receivable		5,239	-
Interest payable		-	(9,599)
Profit on ordinary activities before tax		448,364	633,315
Taxation on profit on ordinary activities	5	595	-
Profit on ordinary activities after tax and amount transferred to reserves	12	447,769	633,315

All amounts relate to continuing activities

All recognised gains and losses for the current and prior year are included in the profit and loss account

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

Eteach UK Limited

Balance sheet at 31 July 2011

Company number 03841479	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Intangible fixed assets	6		225,000		300,000
Tangible fixed assets	7		376,308		383,609
			<hr/>		<hr/>
			601,308		683,609
Current assets					
Debtors	8	1,643,572		1,016,925	
Cash at bank and in hand		1,189,018		839,223	
		<hr/>		<hr/>	
		2,832,590		1,856,148	
Creditors: amounts falling due within one year	9	(1,735,484)		(1,315,664)	
		<hr/>		<hr/>	
Net current assets			1,097,106		540,484
			<hr/>		<hr/>
Total assets less current liabilities			1,698,414		1,224,093
Creditors: amounts falling due after more than one year	10		(26,552)		-
			<hr/>		<hr/>
Net assets			1,671,862		1,224,093
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		2,176		2,176
Share premium account	12		3,196,304		3,196,304
Merger reserve	12		1,312,020		1,312,020
Profit and loss account	12		(2,838,638)		(3,286,407)
			<hr/>		<hr/>
Shareholders' funds			1,671,862		1,224,093
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board and authorised for issue on 25 April 2012



J P Howells
Director

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

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention

Cash flow statement

The Financial Reporting Standard for Smaller Entities (effective April 2008) does not require the preparation of a cash flow statement. Accordingly the company has not prepared one.

The following accounting principal accounting policies have been applied

Turnover

Turnover represents membership fees, subscriptions and other operating charges at invoiced amounts less Value Added Tax.

Subscription revenue is recognised on a straight line basis over the term of the contract. Revenue not recognised in the profit and loss account is classified as deferred revenue in the balance sheet.

Depreciation

Depreciation is provided to write off the cost 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
Motor vehicles	33% per annum

Website 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.

Amortisation of Intangible Fixed Assets

Intangible fixed assets include Goodwill held with respect to a subsidiary Go-Temping. This is being amortised over ten years as the directors see it as a valuable asset, increasing revenue in the South West in the long term. All intangible fixed assets are stated at cost less any provision for impairment.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011 (*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 mainly within the United Kingdom.

3 Directors

	2011 £	2010 £
Directors' remuneration	137,147	120,000
Pension contributions	40,000	-
	<u>177,147</u>	<u>120,000</u>

There were 2 directors in the company's defined contribution pension scheme during the year (2010 - Nil)

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

4 Operating profit

	2011 £	2010 £
The operating profit is stated after charging -		
Amortisation of intangible fixed assets	75,000	75,000
Depreciation of tangible fixed assets	207,793	204,193
Auditors' remuneration	14,000	16,750
Non audit services	1,000	-
Pension costs	80,581	39,582
	<u> </u>	<u> </u>

5 Taxation on profit from ordinary activities

	2011 £	2011 £	2010 £	2010 £
<i>Current tax</i>				
UK corporation tax on profits of the year	595		17,713	
Adjustment in respect of previous years	-		-	
	<u> </u>		<u> </u>	
Total current tax		595	17,713	17,713
<i>Deferred tax</i>				
Origination and reversal of timing differences	(56,786)		(17,713)	
Adjustment in respect of prior periods	56,786		-	
	<u> </u>		<u> </u>	
Movement in deferred tax provision (note 8)		-		(17,713)
		<u> </u>		<u> </u>
Taxation on profit on ordinary activities		595		-
		<u> </u>		<u> </u>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

5 Taxation on profit from ordinary activities (*continued*)

The tax assessed for the year is different than the standard rate of corporation tax in the UK. The differences are explained below.

	2011 £	2010 £
Profit on ordinary activities before tax	448,364	633,315
Tax charge on profit on ordinary activities at the standard rate of corporation tax in the UK of 27.33% (2010 - 28%)	122,538	177,328
Effects of		
Expenses not allowable for tax purposes	33,788	39,418
Tax credits	(192)	-
Depreciation in excess of capital allowances for year	(3,211)	5,083
Other differences	800	(72)
Tax losses and other deductions utilised in the period	(153,128)	(221,757)
Current tax charge for year	595	-

The company has approximately £3,255,000 (2010 - £3,825,000) of tax losses available for offset against future trading profits, subject to agreement by HM Revenue and Customs. The company has an unprovided deferred tax asset of approximately £283,000 (2010 - £541,000) the recoverability of which is uncertain and therefore has not been provided for in these financial statements.

The unprovided deferred tax asset has arisen in relation to tax losses of £1,132,000 (2010 - £1,932,143).

6 Intangible fixed assets

	£
<i>Cost</i>	
At 1 August 2010 and at 31 July 2010	1,205,123
<i>Amortisation</i>	
At 1 August 2010	(905,123)
Charge for the year	(75,000)
At 31 July 2011	(980,123)
Net book value	
At 31 July 2011	225,000
At 31 July 2010	300,000

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 July 2011 (*continued*)

7 Tangible assets

	Leasehold improvements £	Computer equipment £	Office fixtures and equipment £	Motor vehicles £	Web site development costs £	Total £
Cost						
At 1 August 2010	31,893	262,431	85,811	-	1,795,057	2,175,192
Additions	-	7,129	-	59,435	133,928	200,492
At 31 July 2011	31,893	269,560	85,811	59,435	1,928,985	2,375,684
Depreciation						
At 1 August 2010	16,848	247,807	85,811	-	1,441,117	1,791,583
Charge for the year	6,379	6,002	-	9,493	185,919	207,793
At 31 July 2011	23,227	253,809	85,811	9,493	1,627,036	1,999,376
Net book value						
At 31 July 2011	8,666	15,751	-	49,942	301,949	376,308
At 31 July 2010	15,045	14,624	-	-	353,940	383,609

Included within motor vehicles are assets held under finance leases with a net book value of £49,942 (2010 - £Nil) and depreciation charge for the year of £9,493 (2010 - £Nil)

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

8 Debtors

	2011 £	2010 £
Due within one year.		
Trade debtors	460,901	332,885
Other debtors	506,999	72,891
Prepayments	127,959	63,436
Deferred taxation	547,713	547,713
	<u>1,643,572</u>	<u>1,016,925</u>

All amounts shown under debtors fall due for payment within one year except for the deferred tax asset which is recognised in respect of the timing differences detailed below and is recoverable after more than one year

	2011 £	2010 £
<i>Deferred tax asset</i>		
At 1 August 2010	547,713	530,000
Transferred to profit and loss account	-	17,713
	<u>547,713</u>	<u>547,713</u>
At 31 July 2011		

Deferred tax asset arises from

Fixed asset timing differences	29,282	33,255
Other short term timing differences	18,445	17,713
Tax losses carried forward to future periods	499,986	496,745
	<u>547,713</u>	<u>547,713</u>

9 Creditors' amounts falling due within one year

	2011 £	2010 £
Trade creditors	145,949	29,240
Taxation and social security	265,781	194,044
Finance leases	7,250	-
Other creditors and accruals	96,811	65,993
Deferred income	1,219,693	1,026,387
	<u>1,735,484</u>	<u>1,315,664</u>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

10 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Finance leases	26,552	-

11 Called up share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
2,176,000 Ordinary shares of £0.001 each	2,176	2,176

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. There are no options pending.

12 Reserves

	Merger reserve £	Share premium account £	Profit and loss account £
At 1 August 2010	1,312,020	3,196,304	(3,286,407)
Profit for the year	-	-	447,769
At 31 July 2011	1,312,020	3,196,304	(2,838,638)

13 Commitments under operating leases

As at 31 July 2011, the company had annual commitments under non-cancellable operating leases as set out below:

	2011 Land and buildings £	2011 Other £	2010 Land and buildings £	2010 Other £
Operating leases which expire				
In two to five years	40,144	3,120	53,524	2,325

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

14 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 85% (2010 - 85%) of the ordinary shares of the company

15 Related party transactions and transactions with directors

During the year the company entered into the following transactions with related companies

At the year end the company is owed £164,290 (2010 - £40,820) by FCS Live Limited a company of which J P Howells is also a director. This has arisen as a result of expenditure paid by Eteach UK Limited on behalf of FCS Live Limited. This amount is expected to be fully recoverable.

At the year end the company is owed £6,121 (2010 - £Nil) by Teach in London a company of which J P Howells is also a director. This has arisen as a result of expenditure paid by Eteach UK Limited on behalf of Teach in London. This amount is expected to be fully recoverable.

At the year end the company is owed £35,212 (2010 - £Nil) by Eteach Australia a company of which J P Howells is also a director. This has arisen as a result of expenditure paid by Eteach UK Limited on behalf of Eteach Australia. This amount is expected to be fully recoverable.

At the year end the company is owed £1,500 (2010 - £2,000) by Edsol a company which is under a common directorship, which has arisen as a result of expenditure by Eteach UK Limited on behalf of Edsol. This amount has been fully recovered post year end.

During the year amounts totalling £197,333 (2010 - £156,437) were advanced by the company to J P Howells, a director and shareholder of the company. No interest is charged on these advances and at the year end the company is owed £268,184 (2010 - £70,851).

16 Post balance sheet events

On 1 August 2011 the company acquired 75% of the ordinary share capital of FCS Live Limited against which the year end debtor balance of £164,290 was capitalised. FCS Live Limited provides fire safety software and fire risk assessments.

On 1 November 2011, a restructuring of the company and its related parties took place, and The Eteach Group Limited was formed. As of 1 November 2011 Eteach UK Limited became a wholly owned subsidiary of The Eteach Group Limited.

17 Pensions

The company 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 pension cost charge represents contributions payable by the company to the fund which amounted to £80,581 (2010 - £39,582). At 31 July 2011 £2,927 (2010 £1,010) of contributions were outstanding.