

# **Eteach UK Limited**

Report and Financial Statements

Year Ended

31 July 2009

Company number 03841479

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# **Eteach UK Limited**

## **Annual report and financial statements for the year ended 31 July 2009**

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### **Directors**

J P Howells

### **Secretary and registered office**

M Crabb, Academy House, 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 2009

The directors present their report and the consolidated financial statements for the year ended 31 July 2009

### Principal activities

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

### Review of the business

The profit and loss account is set out on page 6 and shows turnover for the year of £4,113,277 (2008 £3,970,402) and profit for the year of £440,004 (2008 £129,879). In the year to 31 July 2009 the company focused on cutting and maintaining the cost base whilst in this current year the company focused on increasing online sales to grow our market share. The company achieved a 24% growth in online recruitment sales which is a substantial growth, particularly in the current economic climate. To grow the business further in this area a new look website has been launched in September 2009 with increased functionality for member schools. This will be accompanied by a targeted marketing campaign to increase awareness amongst the potential candidate base and should lead to an increase in website traffic and, in turn, revenue. The coming year will also see the launch of upgrades to many of the current Eteach products which, it is assumed, will increase market share and ultimately increase profit. The key performance indicators used by the business include the percentage of renewing customers, turnover on a year by year basis, website traffic, user numbers and EBITDA.

The Directors are pleased that overall turnover has again increased by 4% on the previous year. Based on orders in the pipeline the directors believe this rate of growth will accelerate into the year ended 31 July 2010.

Costs during this financial year have increased but the underlying profitability for this year (profit after tax before depreciation and amortisation) has improved from £371,574 in 2008 to £664,970.

The directors are also able to report that during the financial year the Eteach websites benefited from the following:

	2009	2008
<b>Visits</b>	8,429,630	7,298,762
<b>Unique Users</b>	4,380,524	4,523,804
<b>Job Searches</b>	3,826,722	3,182,609
<b>New Vacancies</b>	42,450	38,862

These statistics show that the website usage continues to grow and there has been a continued improvement with job searches and new vacancies. The company believes this is due to more targeted marketing, which has driven better quality candidates to the website rather than general job seekers who are not looking to work in education and therefore, click away at the home page once they realise it is a specialist website.

The directors do not recommend the payment of a dividend.

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. The company seeks to manage the risk of losing customers to key competitors by the provision of added value services to customers, improving the handling of customer queries and by maintaining strong relationships and local representation with key customers.

The company's credit risk is attributable to its trade debtors. Credit risk is managed by monitoring payments against the Government payment targets set for local authorities.

# Eteach UK Limited

## Report of the directors for the year ended 31 July 2009

The company has an overdraft facility for £500,000 (2008 £700,000) with NatWest Bank at a rate negotiated half yearly

The company monitors cash flow as part of its day to day control procedures. The Chief Executive Officer considers cash flow projections on a regular basis and ensures that appropriate facilities are available to be drawn upon as necessary

### 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 2009	Ordinary shares of 0.1p each 2008	Options 2009	Options 2008
J P Howells	1,842,468	1,370,664	-	-
DAS Burn (Resigned 31/10/2008)	72,197	72,197	-	-

J P Howells' shareholder interest includes £1,089,601 (2008 £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

# Eteach UK Limited

## Report of the directors for the year ended 31 July 2009 (*Continued*)

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### 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 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.

There is no relevant audit information of which the directors are unaware. The directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish the auditors are aware of the information.

### Auditors

The auditors, BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed in accordance with section 485 of the Companies Act 2006.

This report of the directors has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### On behalf of the Board



J P Howells  
Director

Date

23/2/2010

# **Eteach UK Limited**

## **Report of the independent auditors**

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### **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 2009 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 (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities) effective 2008.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's affairs as at 31 July 2009 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

### Report of the independent auditors (*Continued*)

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#### 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

BDO LLP

James Keeton  
Senior statutory auditor  
For and on behalf of BDO LLP, statutory auditor  
Reading  
Date

25 February 2010

# Eteach UK Limited

## Profit and loss account for the year ended 31 July 2009

	Note	2009 £	2008 £
Turnover	2	4,113,277	3,970,402
Cost of sales		(816,915)	(971,893)
<b>Gross profit</b>		<b>3,296,362</b>	<b>2,998,509</b>
Administrative expenses		(2,802,376)	(2,798,269)
<b>Operating profit before exceptional items</b>	4	<b>493,986</b>	<b>200,240</b>
Exceptional items	4	(35,000)	-
<b>Operating profit</b>		<b>458,986</b>	<b>200,240</b>
Interest receivable		-	-
Interest payable		(18,982)	(46,361)
<b>Profit on ordinary activities before tax</b>		<b>440,004</b>	<b>153,879</b>
<b>Tax on profit on ordinary activities</b>	14	-	(24,000)
<b>Profit on ordinary activities after tax and amount transferred to reserves</b>		<b>440,004</b>	<b>129,879</b>

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

Company number 03841479

## Balance sheet at 31 July 2009

	Note	2009 £	2009 £	2008 £	2008 £
<b>Fixed assets</b>					
Tangible fixed assets	5		504,282		244,980
Intangible fixed assets	6		375,000		450,000
			<u>879,282</u>		<u>694,980</u>
<b>Current assets</b>					
Debtors	7	988,404		892,212	
Cash at bank and in hand		231,036		-	
		<u>1,219,440</u>		<u>892,212</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,472,944)</u>		<u>(1,436,418)</u>	
<b>Net current liabilities</b>			<b>(253,504)</b>		<b>(544,206)</b>
<b>Provisions for liabilities</b>	12		<b>(35,000)</b>		<b>-</b>
<b>Total assets less current liabilities</b>			<u><b>590,778</b></u>		<u><b>150,774</b></u>
<b>Capital and reserves</b>					
Called up share capital	9		2,176		2,176
Share premium account	10		3,196,304		3,196,304
Merger reserve	10		1,312,020		1,312,020
Profit and loss account	10		<b>(3,919,722)</b>		<b>(4,359,726)</b>
<b>Shareholders' funds</b>			<u><b>590,778</b></u>		<u><b>150,774</b></u>

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

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



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 2009

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### 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 April 2008)

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 383 of the Companies Act 2006 as the group it heads qualifies as a small sized group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### *Cash flow statement*

These accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial reporting standard for small and medium entities (FRSSE effective April 2008).

#### *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

#### *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.

# Eteach UK Limited

## Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

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### 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

#### *Intangibles*

Intangibles include Goodwill held with respect to subsidiary Go-Temping. This is being amortised over ten years as we see it as a valuable asset, increasing revenue in the South West in the long term. All 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 mainly within the United Kingdom

# Eteach UK Limited

## Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

### 3 Directors

	2009 £	2008 £
Directors' remuneration (including pension contributions)	80,000	67,167

There was no director in the company's defined contribution pension scheme during the year (2008 - 0)

### 4 Operating profit

	2009 £	2008 £
The operating profit is stated after charging -		
Amortisation of intangible fixed assets	75,000	75,000
Depreciation of tangible fixed assets	149,966	166,695
Auditors' remuneration	16,000	15,000
Exceptional item - Provision for onerous lease	35,000	-

### 5 Tangible assets

	Leasehold improvements £	Computer equipment £	Office fixtures and equipment £	Web site development costs £	Total £
<i>Cost</i>					
At 1 August 2008	-	237,019	85,811	1,359,574	1,682,404
Additions	31,893	25,412	-	351,963	409,268
Disposals	-	-	-	-	-
At 31 July 2009	31,893	262,431	85,811	1,711,537	2,091,672
<i>Depreciation</i>					
At 1 August 2008	-	208,737	85,811	1,142,876	1,437,424
Charge for the year	6,818	27,631	-	115,517	149,966
Disposals	-	-	-	-	-
At 31 July 2009	6,818	236,368	85,811	1,258,393	1,587,390
<i>Net book value</i>					
At 31 July 2009	25,075	26,063	-	453,144	504,282
At 31 July 2008	-	28,282	-	216,698	244,980

# Eteach UK Limited

## Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

### 6 Intangible fixed assets

£

Cost

At 31 July 2008

1,205,123

Amortisation

At 1 August 2008

charge for the period

(755,123)  
(75,000)

At 31 July 2009

(830,123)

Net book value

At 31 July 2009

375,000

At 31 July 2008

450,000

### 7 Debtors

2009  
£

2008  
£

#### Due within one year

Trade debtors

247,008

218,146

Other debtors

121,528

33,087

Prepayments

89,868

110,979

Deferred taxation

530,000

530,000

988,404

892,212

Deferred taxation

Fixed asset timing differences

53,088

53,088

Tax losses carried forward to future periods

476,912

476,912

530,000

530,000

Provision at the start of the year

530,000

554,000

Deferred tax charge

-

24,000

Provision at the end of the year

530,000

530,000

# Eteach UK Limited

## Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

### 8 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans and overdraft (secured)	-	85,366
Trade creditors	76,916	57,053
Social security and other taxes	153,903	182,728
Other Loans	-	91,435
Other creditors and accruals	50,734	83,730
Deferred income	1,191,391	936,106
	<u>1,472,944</u>	<u>1,436,418</u>

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

### 9 Called up share capital

	Allotted £	Called up £
Authorised, allotted, called up and fully paid 2,176,000 Ordinary Shares of £1 00 each		
2009	<u>2,176</u>	<u>2,176</u>
2008	<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. There are no options pending.

# Eteach UK Limited

## Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

### 10 Reserves

	Merger reserve £	Share premium account £	Profit and loss account £
At 1 August 2008	1,312,020	3,196,304	(4,359,726)
Profit for the year	-	-	440,004
	<hr/>	<hr/>	<hr/>
At 31 July 2009	<b>1,312,020</b>	<b>3,196,304</b>	<b>(3,919,722)</b>
	<hr/>	<hr/>	<hr/>

### 11 Commitments under operating leases

As at 31 July 2009, the company had annual commitments under non-cancellable operating leases as set out below

	2009 Land and buildings £	2009 Other £	2008 Land and buildings £	2008 Other £
Operating leases which expire				
Within one year	23,984	-	-	-
In two to five years	53,524	2,325	74,490	2,325
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>77,508</b>	<b>2,325</b>	<b>74,490</b>	<b>2,325</b>
	<hr/>	<hr/>	<hr/>	<hr/>

### 12 Provisions for liabilities

	Onerous Lease £
At 1 August 2008	-
Charge to profit and loss	35,000
Utilised in the year	-
	<hr/>
At 31 July 2009	<b>35,000</b>
	<hr/>

# Eteach UK Limited

## Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

### 13 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% (2008 63%) of the ordinary shares of the company

### 14 Related party transactions

The balance on J P Howells current account at the year end was £85,586 due from him to the company (2008 £1,435 due to him from the company)

An amount of £27,000 bad debt was written off in respect of rent owed by Taskala Limited, a company related by a common shareholder

Consultants fees incurred during the year, payable to Education Solutions Limited, a company related by a common ownership, totalled £157,057 No amounts were outstanding at the year end

### 15 Taxation on profit from ordinary activities

	2009 £	2009 £	2008 £	2008 £
<i>Current tax</i>				
UK corporation tax on profits of the year	-		-	
Adjustment in respect of previous years	-		-	
	<hr/>		<hr/>	
Total current tax	-		-	
<i>Deferred tax</i>				
Origination and reversal of timing Differences	-		(24,000)	
Effect of reduced tax rate on opening Liability	-		-	
	<hr/>		<hr/>	
Movement in deferred tax provision (note 7)		-		(24,000)
		<hr/>		<hr/>
Taxation on profit on ordinary activities		-		(24,000)
		<hr/>		<hr/>



## **Eteach UK Limited**

### **Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)**

#### **15 Taxation on profit from ordinary activities (Continued)**

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

	<b>2009 £</b>	<b>2008 £</b>
Profit/loss on ordinary activities before tax	<b>440,004</b>	153,879
Tax charge on profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2007 – 29.33%)	<b>123,201</b>	45,133
Effects of		
Expenses not allowable for tax purposes	<b>58,440</b>	53,942
Depreciation in excess of capital allowances for year	<b>1,909</b>	(1,448)
Other differences	-	(1,189)
Tax losses and other deductions utilised in the period	<b>(183,550)</b>	(96,438)
Current tax charge for year	-	-