

Eteach UK Limited

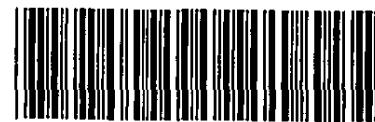
Report and Financial Statements

Year Ended

31 July 2010

Company number 03841479

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Eteach UK Limited

Annual report and financial statements for the year ended 31 July 2010

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Directors

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Directors

M F Crabb (Secretary)

J P Howells

G A Clarke appointed 14 June 2010

Secretary and registered office

M Crabb, 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 2010

The directors present their report and the consolidated financial statements for the year ended 31 July 2010

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 £4,720,046 (2009 £4,113,277) and profit for the year of £633,315 (2009 £440,004). In the year to 31 July 2010 the company focused on growing sales and the increase of 15% is a good measure of our success. 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 15% on the previous year (2009 4%). Based on orders in the pipeline the directors believe this rate of growth will accelerate throughout 2010 and into 2011.

Costs during this financial year have remained static but the underlying profitability for this year (profit after tax before depreciation and amortisation) has improved from £664,970 in 2009 to £912,508.

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

| Eteach | 2010 | 2009 | |
|------------------------------|-----------|-----------|--------|
| Visits | 6,298,258 | 5,396,124 | +16.7% |
| Unique Users | 3,558,575 | 3,350,637 | +6.2% |
| Candidates Registered | 63,019 | 45,996 | +37.0% |
| New Vacancies | 36,002 | 42,450 | -15.2% |

These statistics show that the website usage continues to grow and there has been a continued improvement with job searches. 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 2010

The company has an overdraft facility for £250,000 (2009 £500,000) 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 2010 | Ordinary shares of 0.1p each 2009 | Options 2010 | Options 2009 |
|-------------|--|--|-----------------|-----------------|
| J P Howells | 1,842,468 | 1,842,468 | - | - |

J P Howells' shareholder interest includes £1,089,601 (2009 £1,089,601) 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 9. No options were exercised during the period

Eteach UK Limited

Report of the directors for the year ended 31 July 2010 (*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 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.

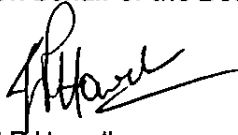
There is no relevant audit information of which the directors are unaware. The directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish the auditors are aware of the information.

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 provisions of section 419(2) of the Companies Act relating to small companies.

On behalf of the Board



J P Howells
Director

Date 29 March 2011

Eteach UK Limited

Report of the independent auditors

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 2010 which comprise the primary statements such as 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).

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 2010 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*)

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
Bristol
Date

29 March 2011

Eteach UK Limited

Profit and loss account for the year ended 31 July 2010

| | Note | 2010 £ | 2009 £ |
|---|------|--------------------|-------------|
| Turnover | 2 | 4,720,046 | 4,113,277 |
| Cost of sales | | (1,261,876) | (816,915) |
| Gross profit | | 3,458,170 | 3,296,362 |
| Administrative expenses | | (2,815,256) | (2,802,376) |
| Operating profit before exceptional items | 4 | 642,914 | 493,986 |
| Exceptional items | 4 | - | (35,000) |
| Operating profit | | 642,914 | 458,986 |
| Interest receivable | | - | - |
| Interest payable | | (9,599) | (18,982) |
| Profit on ordinary activities before tax | | 633,315 | 440,004 |
| Tax on profit on ordinary activities | 14 | - | - |
| Profit on ordinary activities after tax and amount transferred to reserves | | 633,315 | 440,004 |

All amounts relate to continuing activities

There were no other recognised gains or losses in the year

The notes on pages 8 to 14 form part of these financial statements

Eteach UK Limited

Company number 03841479

Balance sheet at 31 July 2010

| | Note | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|---|------|--------------------|--------------------|--------------------|--------------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 5 | | 383,609 | | 504,282 |
| Intangible fixed assets | 6 | | 300,000 | | 375,000 |
| | | | <u>683,609</u> | | <u>879,282</u> |
| Current assets | | | | | |
| Debtors | 7 | 1,016,925 | | 988,404 | |
| Cash at bank and in hand | | 839,223 | | 231,036 | |
| | | <u>1,856,148</u> | | <u>1,219,440</u> | |
| Creditors: amounts falling due within one year | 8 | <u>(1,315,664)</u> | | <u>(1,507,944)</u> | |
| Net current assets/(liabilities) | | | <u>540,484</u> | | <u>(288,504)</u> |
| Total assets less current liabilities | | | <u>1,224,093</u> | | <u>590,778</u> |
| Capital and reserves | | | | | |
| 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 | | <u>(3,286,407)</u> | | <u>(3,919,722)</u> |
| Shareholders' funds | | | <u>1,224,093</u> | | <u>590,778</u> |

These financial statements have been prepared in accordance with the provision of the small companies regime of Companies Act 2006

The financial statements were approved by the Board and authorised for issue on 29 March 2011



J P Howells
Director

The notes on pages 8 to 14 form part of these financial statements

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2010

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

The 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 |

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 2010 (*Continued*)

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 2010 (Continued)

3 Directors

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Directors' remuneration (including pension contributions) | 120,000 | 80,000 |

There was no director in the company's defined contribution pension scheme during the year (2009 - 0)

4 Operating profit

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| The operating profit is stated after charging - | | |
| Amortisation of intangible fixed assets | 75,000 | 75,000 |
| Depreciation of tangible fixed assets | 204,193 | 149,966 |
| Auditors' remuneration | 16,750 | 16,000 |
| 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 2009 | 31,893 | 262,431 | 85,811 | 1,711,537 | 2,091,672 |
| Additions | - | - | - | 83,520 | 83,520 |
| Disposals | - | - | - | - | - |
| At 31 July 2010 | 31,893 | 262,431 | 85,811 | 1,795,057 | 2,175,192 |
| <i>Depreciation</i> | | | | | |
| At 1 August 2009 | 6,818 | 236,368 | 85,811 | 1,258,393 | 1,587,390 |
| Charge for the year | 10,030 | 11,439 | - | 182,724 | 204,193 |
| Disposals | - | - | - | - | - |
| At 31 July 2010 | 16,848 | 247,807 | 85,811 | 1,441,117 | 1,791,583 |
| <i>Net book value</i> | | | | | |
| At 31 July 2010 | 15,045 | 14,624 | - | 353,940 | 383,609 |
| At 31 July 2009 | 25,075 | 26,063 | - | 453,144 | 504,282 |

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2010 (*Continued*)

6 Intangible fixed assets

| | £ |
|-----------------------|------------------|
| Cost | |
| At 31 July 2009 | 1,205,123 |
| | <hr/> |
| Amortisation | |
| At 1 August 2009 | (830,123) |
| charge for the period | (75,000) |
| | <hr/> |
| At 31 July 2010 | (905,123) |
| | <hr/> |
| Net book value | |
| At 31 July 2010 | 300,000 |
| | <hr/> |
| At 31 July 2009 | 375,000 |
| | <hr/> |

7 Debtors

| | 2010 £ | 2009 £ |
|--|------------------|-----------|
| Due within one year | | |
| Trade debtors | 332,885 | 247,008 |
| Other debtors | 72,891 | 121,528 |
| Prepayments | 63,436 | 89,868 |
| Deferred taxation | 547,713 | 530,000 |
| | <hr/> | <hr/> |
| | 1,016,925 | 988,404 |
| | <hr/> | <hr/> |
| Deferred taxation | | |
| Fixed asset timing differences | 33,255 | 28,172 |
| Other short term timing differences | 17,713 | 72 |
| Tax losses carried forward to future periods | 496,745 | 476,912 |
| | <hr/> | <hr/> |
| | 547,713 | 530,000 |
| | <hr/> | <hr/> |
| Provision at the start of the year | 530,000 | 530,000 |
| Deferred tax charge | 17,713 | - |
| | <hr/> | <hr/> |
| Provision at the end of the year | 547,713 | 530,000 |
| | <hr/> | <hr/> |

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2010 (*Continued*)

8 Creditors: amounts falling due within one year

| | 2010 £ | 2009 £ |
|------------------------------------|------------------|------------------|
| Bank loans and overdraft (secured) | - | - |
| Trade creditors | 29,240 | 76,916 |
| Social security and other taxes | 194,044 | 153,903 |
| Other Loans | - | - |
| Other creditors and accruals | 65,993 | 85,734 |
| Deferred income | 1,026,387 | 1,191,391 |
| | <u>1,315,664</u> | <u>1,507,944</u> |

9 Called up share capital

| | Allotted £ | Called up £ |
|---|---------------|----------------|
| Authorised, allotted, called up and fully paid 2,176,000 Ordinary Shares of £1 00 each | | |
| 2010 | <u>2,176</u> | <u>2,176</u> |
| 2009 | <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 2010 (Continued)

10 Reserves

| | Merger reserve £ | Share premium account £ | Profit and loss account £ |
|---------------------|------------------------|----------------------------------|------------------------------------|
| At 1 August 2009 | 1,312,020 | 3,196,304 | (3,919,722) |
| Profit for the year | - | - | 633,315 |
| At 31 July 2010 | <u>1,312,020</u> | <u>3,196,304</u> | <u>(3,286,407)</u> |

11 Commitments under operating leases

As at 31 July 2010, the company had annual commitments under non-cancellable operating leases as set out below

| | 2010 Land and buildings £ | 2010 Other £ | 2009 Land and buildings £ | 2009 Other £ |
|-------------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Operating leases which expire | | | | |
| Within one year | - | - | 23,984 | - |
| In two to five years | <u>53,524</u> | <u>2,325</u> | <u>53,524</u> | <u>2,325</u> |
| | <u>53,524</u> | <u>2,325</u> | <u>77,508</u> | <u>2,325</u> |

12 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% (2009 85%) of the ordinary shares of the company

13 Related party transactions

The balance on J P Howells current account at the year end was £70,851 due from him to the company (2009 £85,586 due to him from the company)

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 July 2010 (Continued)

14 Taxation on profit from ordinary activities

| | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|--|---------------|-----------|-----------|-----------|
| <i>Current tax</i> | | | | |
| UK corporation tax on profits of the year | 17,713 | | - | |
| Adjustment in respect of previous years | - | | - | |
| | <u>17,713</u> | | <u>-</u> | |
| Total current tax | 17,713 | | - | |
| <i>Deferred tax</i> | | | | |
| Origination and reversal of timing Differences | - | | - | |
| Adjustment in respect of prior periods | - | | - | |
| | <u>-</u> | | <u>-</u> | |
| Movement in deferred tax provision (note 7) | | (17,713) | | |
| | | <u>-</u> | | <u>-</u> |
| Taxation on profit on ordinary activities | | - | | - |

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

| | 2010 £ | 2009 £ |
|---|------------------|------------------|
| Profit/loss on ordinary activities before tax | 633,315 | 440,004 |
| | <u>633,315</u> | <u>440,004</u> |
| Tax charge on profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 28%) | 177,328 | 123,201 |
| | <u>177,328</u> | <u>123,201</u> |
| Effects of | | |
| Expenses not allowable for tax purposes | 39,418 | 58,440 |
| Depreciation in excess of capital allowances for year | 5,083 | 1,909 |
| Other differences | (72) | - |
| Tax losses and other deductions utilised in the period | (221,757) | (183,550) |
| | <u>(221,757)</u> | <u>(183,550)</u> |
| Current tax charge for year | - | - |