

Eteach UK Limited

Report and Financial Statements

Year Ended

31 October 2016

Company Number 03841479



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Eteach UK Limited

Report and financial statements for the year ended 31 October 2016

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Directors

J P Howells
G Clarke
R Linnell
D Burn

Secretary and registered office

C A Geens, Norwich House, Knoll Road, Camberley, Surrey, GU15 3SY

Company number

03841479

Auditors

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

Eteach UK Limited

Strategic report for the year ended 31 October 2016

The directors present the Strategic Report of the company together with the audited financial statements for the year ended 31 October 2016.

Principal activities

The principal activity of the company continued to be that of the provision of specialist recruitment and advertising services for the education sector. The company works with over 7,500 schools and colleges to deliver recruitment solutions which combine leading technology with sector knowledge and experience. The company finds clients the right solution to deliver the best candidates and recruitment outcomes quickly, easily and cost effectively. Whilst there has been continued investment in, and development of, each of the company's key service areas there have been no changes in the company's principal activities in the year under review.

Review of the business and future developments

The directors use a multitude of key performance indicators to review the success of our customer and candidate strategies including, licence renewals and website traffic. Our financial results reflect the success of our operating strategies as shown by revenue and profitability.

The company's preferred measure of true profitability – EBITDA – was £1,763,571 for the period (15 month period to 31 October 2015: £1,569,121). Eteach UK Limited's profit and loss account shows turnover for the year of £8,829,972 (15 months to 31 October 2015: £10,199,767), and operating profit attributable to the company of £1,142,941 (15 months to 31 October 2015: £1,102,089).

The company's continuing success is attributable to the expansion of our online sales teams to focus on business development of new licence sales alongside the expansion of our recruitment offer covering both permanent placements and the supply sector. Despite a decrease of available candidates in the market our Central London office has performed well in year two with more than £800,000 in revenues during the year. We anticipate further revenue growth in this area and plan to expand office space and resources in the new financial year.

Eteach is focussed on helping our clients overcome their recruitment challenges and have capabilities to help them from single advertisements to targeted recruitment for hard-to-fill roles. Our strategy offers a customer-centric approach, helping our customers to "spend smartly" and maximise return on their recruitment expenditure. This customer centric approach is shown in our licence product client renewal rates of more than 95% for existing customers.

The Eteach websites, incorporating a variety of bespoke client websites, eteach.com, fejobs.com, talent pools and associated sites, attracted the following user and candidate statistics, which show continued year on year gains in both reach and effectiveness.

Candidate statistics

- Over **1.5 million** total candidates registered at end of October 2016 [2015: 1.3 million]
- More than **220,000** candidates registered in the year, slightly higher than in 2015
- We have over **386,000** candidates who receive weekly newsletters [2015: 300,000]

Website performance

- We advertised over **61,000** jobs on our website
- **7,500** schools advertise with us
- We have **1,000,000** website visits and job views per month
- During the last year, we saw **37%** of traffic come from a mobile device vs 20% the previous year

Eteach UK Limited

Strategic report for the year ended 31 October 2016 (*continued*)

Review of the business (*continued*)

Eteach has invested to strengthen its senior management team and with an experienced workforce and trusted partners positioned worldwide, the directors consider that Eteach is well-positioned to continue with its organic mode of growth.

The directors have decided not to declare a dividend in favour of reinvesting this year's profits in the business to maximise potential and will utilise cash for future growth plans including further investment in our websites and technology.

Principal risks and uncertainties

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 whereby payments received are matched against client receivables on a daily basis. Our collection procedures incorporate regular contact with our debtors to ensure timely payment is received, and prompt action is initiated when necessary. Cash flow is closely monitored and effective controls are in place to ensure sufficient funds are always available.

The company manages strategic and commercial risks through an ongoing systems development programme, to maintain and enhance its competitive market position and comprehensive technical platform. Operational and other financial risks and uncertainties are actively managed by regular management review of financial performance, client and candidate activity.

On behalf of the Board



J P Howells
Director

Date 29 MARCH 2017

Eteach UK Limited

Report of the directors for the year ended 31 October 2016

The directors present their report together with the audited financial statements for the year ended 31 October 2016.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows the profit for the year.

An interim dividend of £Nil was paid for the year ended 31 October 2016 (2015 - £2,800,000). The directors do not recommend the payment of a final dividend.

Future developments

Information on likely future developments in the business has been included in the Strategic report.

Strategic report

Where it has been deemed appropriate the company has included disclosures required in the director's report in the strategic report, as the directors consider them of strategic importance.

Directors

The directors of the company who served during the year are as stated below:

J P Howells
G Clarke
R Linnell
D Burn

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 period. 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 estimates that are reasonable and prudent;
- 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 October 2016 (*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.

On behalf of the Board



J P Howells
Director

Date 29 MARCH 2017

Eteach UK Limited

Independent auditor's report

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ETEACH UK LIMITED

We have audited the financial statements of Eteach UK Limited for the year ended 31 October 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 October 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 strategic report and 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.



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

4 April 2017

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

Eteach UK Limited

Statement of comprehensive income for the year ended 31 October 2016

		Year ended 31 October 2016 £	15 months ended 31 October 2015 £
	Note		
Turnover	3	8,829,972	10,199,767
Cost of sales		(1,709,351)	(2,453,813)
Gross profit		7,120,621	7,745,954
Administrative expenses		(5,977,680)	(6,643,865)
Operating profit	6	1,142,941	1,102,089
Other interest receivable and similar income		4,961	13,915
Profit on ordinary activities before taxation		1,147,902	1,116,004
Taxation on profit from ordinary activities	7	(295,591)	(235,923)
Profit on ordinary activities after taxation and total comprehensive income for the year		852,311	880,081

All amounts relate to continuing activities.

The notes on pages 10 to 23 form part of these financial statements.

Eteach UK Limited

Balance sheet at 31 October 2016

<i>Company number 03841479</i>	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	9		1,167,865		694,998
Tangible assets	10		320,433		342,100
			<u>1,488,298</u>		<u>1,037,098</u>
Current assets					
Debtors	11	1,658,649		1,379,776	
Cash at bank and in hand		1,471,266		1,526,258	
		<u>3,129,915</u>		<u>2,906,034</u>	
Creditors: amounts falling due within one year	12	<u>(3,194,239)</u>		<u>(3,371,469)</u>	
Net current liabilities			<u>(64,324)</u>		<u>(465,435)</u>
Net assets			<u>1,423,974</u>		<u>571,663</u>
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account			1,423,973		571,662
Shareholders' funds			<u>1,423,974</u>		<u>571,663</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 MARCH 2017

J P Howells
Director



The notes on pages 10 to 23 form part of these financial statements.

Eteach UK Limited

Statement of changes in equity at 31 October 2016

	Share capital £	Profit and loss account £	Total equity £
1 November 2015	1	571,662	571,663
Comprehensive income for the year:			
Profit for the year	-	852,311	852,311
Total comprehensive income for the year	-	852,311	852,311
31 October 2016	1	1,423,973	1,423,974

	Share capital £	Profit and loss account £	Total equity £
1 August 2014	1	2,491,581	2,491,582
Comprehensive income for the year:			
Profit for the year	-	880,081	880,081
Total comprehensive income for the year	-	880,081	880,081
Contributions by and distributions to owners			
Dividends	-	(2,800,000)	(2,800,000)
Total contributions by and distributions to owners	-	(2,800,000)	(2,800,000)
31 October 2015	1	571,662	571,663

The notes on pages 10 to 23 form part of these financial statements.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016

1 Accounting policies

Eteach UK Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, and the Companies Act 2006.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 17.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing the company financial statements, as permitted by FRS102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows for the company only;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year;
- Section 11 Basic Financial Instruments paragraph 11.41(b) and 11.41(e) not to disclose the carrying amounts of financial assets that are debt instruments measured at amortised costs and financial liabilities measured at amortised cost; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation of the parent company in total as this is included in the totals for the group as a whole.

The company's shareholders have been notified in writing about and do not object to the use of the above disclosure exemptions. The company's results are included in the consolidated financial statements of The Eteach Group Limited which are available from Companies House.

Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year and derives from the provision of goods falling within the group's ordinary activities. The two principal classes of turnover are as follows:

Provision of recruitment services for the education sector. Revenue is recognised when the services are provided to the customer. Amounts not yet invoiced are included in accrued income in the balance sheet.

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 income in the balance sheet.

Tangible fixed assets

Tangible fixed assets, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (*continued*)

1 Accounting policies (*continued*)

Depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold improvements	-	20% straight line
Computer equipment	-	33% straight line
Computer Software	-	20% straight line
Fixtures and equipment	-	20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Website development costs

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

- (a) the project is clearly defined and related expenditure is separately identifiable
- (b) the project is technically feasible and commercially viable
- (c) current and future costs are expected to be exceeded by future sales, and
- (d) adequate resources exist for the project to be completed.

In such circumstances the costs are capitalised and treated as an intangible fixed asset and amortised over a period of three years, commencing in the period the company starts to benefit from the expenditure. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes is written off as incurred.

The expected useful economic life of development costs are estimated based on the business plans which set out the development plan and time to market for the associated project.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income or expense'.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (*continued*)

1 Accounting policies (*continued*)

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.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Pension costs

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

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

Deferred tax balances are not discounted.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (*continued*)

1 Accounting policies (*continued*)

Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at an annual general meeting.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Reserves

The company's capital and reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account reserve represents cumulative profits or losses and other comprehensive income made by the company, as well as distributions and other adjustments.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Intangible fixed assets (see note 9)*

Intangible fixed assets are amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Intangible asset recognition (see note 9)*

Website development costs are charged to the profit and loss account in the year of expenditure unless individual projects satisfy certain criteria (see accounting policies). Costs are typically made up of salaries and benefits and third-party service fees. When assessing whether website development costs meet the asset recognition criteria, management considers factors including the related sales and profit projections, market forecasts and historical experience.

- *Tangible fixed assets (see note 10)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Impairment of debtors (see note 11)*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (continued)

3 Turnover

Turnover arises solely from the rendering of services wholly within the United Kingdom.

4 Employees

	Year ended 31 October 2016 £	15 months ended 31 October 2015 £
Staff costs consist of:		
Wages and salaries	4,253,609	4,438,522
Social security costs	461,546	481,009
Pension costs	67,040	219,322
	<u>4,782,195</u>	<u>5,138,853</u>

The average number of employees, including directors, during the year was as follows:

	Year ended 31 October 2016 Number	15 months ended 31 October 2015 Number
Sales	68	56
Administration	42	37
	<u>110</u>	<u>93</u>

The employees disclosed above are employed by a fellow subsidiary, Eteach Group Services Limited. All staff costs incurred by the fellow subsidiary are recharged to Eteach UK Limited in the current and prior year.

5 Directors' remuneration

	Year ended 31 October 2016 £	15 months ended 31 October 2015 £
Directors' remuneration	157,971	203,167
Pension costs	-	158,000
	<u>157,971</u>	<u>361,167</u>

There were no directors in the company's defined contribution pension scheme during the year (2015 - Nil).

During the year the company made payments of £Nil (2015 - £158,000) to the directors' personal pension funds.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (continued)

5 Directors' remuneration (continued)

The total amount payable for the highest paid director in respect of emoluments was £129,000 (2015 - £161,250). Company pension contributions of £Nil (2015 - £158,000) were made to the director's personal pension funds.

6 Operating profit

	Year ended 31 October 2016 £	15 months ended 31 October 2015 £
This has been arrived at after charging:		
Amortisation and other amounts written off intangible assets	469,967	319,621
Depreciation and other amounts written off tangible assets		
- owned assets	150,663	145,567
Auditors' remuneration:		
- audit of financial statements	15,700	13,725
- taxation services	3,875	3,750
- all other services	2,500	1,206
Exchange gains	(42)	-
Operating lease expense	183,624	145,852

7 Taxation on profit from ordinary activities

	Year ended 31 October 2016 £	Year ended 31 October 2016 £	15 months ended 31 October 2015 £	15 months ended 31 October 2015 £
<i>Current tax</i>				
UK corporation tax on profits of the year	181,047		142,553	
Adjustment in respect of prior years	4,304		(122,047)	
Total current tax		185,351		20,506
<i>Deferred tax</i>				
Origination and reversal of timing differences	85,274		93,370	
Adjustment in respect of prior years	17,296		122,047	
Effect of tax rate change on opening balance	7,670		-	
Movement in deferred tax provision (note 11)		110,240		215,417
Taxation on profit on ordinary activities		295,591		235,923

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (continued)

7 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:

	Year ended 31 October 2016 £	15 months ended 31 October 2015 £
Profit on ordinary activities before tax	1,147,902	1,116,004
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015 - 20.53%)	229,581	229,115
Effects of:		
Expenses not deductible for tax purposes	3,345	15,884
Group relief claimed	(3,749)	(10,080)
Adjustments to tax charge in respect of previous periods	4,304	(122,046)
Adjustments to deferred tax charge in respect of previous periods	17,296	122,046
Adjustments to deferred tax opening and closing average rate	225	(2,812)
Deferred tax not recognised	43,090	-
Other tax adjustments	1,499	3,816
Total tax charge for year	295,591	235,923

Factors that may affect future tax charges

The standard rate of corporation tax in the United Kingdom changed from 21% to 20% with effect from 1 April 2015. The Finance (No.2) Bill 2015, which provides for reductions in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 were announced in the July 2015 budget were substantively enacted on 26 October 2015.

The company has approximately £931,758 (2015 - £941,826) of tax losses available for offset against future trading profits from a previously acquired trade, subject to agreement by HM Revenue and Customs.

8 Dividends

	2016 £	2015 £
Dividend paid on equity shares		
Ordinary shares:		
Interim paid dividends of £Nil (2015 - £2,800) per share	-	2,800,000

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 October 2016 (*continued*)

9 Intangible fixed assets

	Website development costs £	Total £
<i>Cost</i>		
At 1 November 2015	1,452,093	1,452,093
Additions	942,834	942,834
	<hr/>	<hr/>
At 31 October 2016	2,394,927	2,394,927
	<hr/>	<hr/>
<i>Amortisation</i>		
At 1 November 2015	757,095	757,095
Provided for the year	469,967	469,967
	<hr/>	<hr/>
At 31 October 2016	1,227,062	1,227,062
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 October 2016	1,167,865	1,167,865
	<hr/>	<hr/>
At 31 October 2015	694,998	694,998
	<hr/>	<hr/>

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 October 2016 (*continued*)

10 Tangible fixed assets

	Leasehold improvements £	Computer equipment and software £	Fixtures and equipment £	Total £
<i>Cost</i>				
At 1 November 2015	258,212	608,346	155,009	1,021,567
Additions	-	128,298	698	128,996
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2016	258,212	736,644	155,707	1,150,563
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 November 2015	129,185	445,434	104,848	679,467
Provided for the year	44,431	92,337	13,895	150,663
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2016	173,616	537,771	118,743	830,130
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 October 2016	84,596	198,873	36,964	320,433
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2015	129,027	162,912	50,161	342,100
	<hr/>	<hr/>	<hr/>	<hr/>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (*continued*)

11 Debtors

	2016 £	2015 £
Trade debtors	600,158	518,773
Amount due from group companies	-	112,298
Other debtors	566,885	69,825
Prepayments and accrued income	253,383	217,295
Corporation tax repayable	51,328	165,352
Deferred tax	186,895	296,233
	<u>1,658,649</u>	<u>1,379,776</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.

The impairment gain recognised in the company profit or loss for the year in respect of bad and doubtful trade debtors was £12,271 (2015 - £43,260).

	2016 £	2015 £
<i>Deferred tax asset:</i>		
At 1 November 2015	296,233	370,758
Transferred to profit and loss account	(110,240)	(215,417)
Deferred tax on director's loan account	902	140,892
At 31 October 2016	<u>186,895</u>	<u>296,233</u>

Deferred tax asset arises from:

Accelerated capital allowances	(113,298)	(88,013)
Other short term timing differences	141,794	195,881
Tax losses carried forward	158,399	188,365
	<u>186,895</u>	<u>296,233</u>

The net reversal of deferred tax assets expected to 31 October 2017 is £68,502. This is expected to arise because depreciation is anticipated to be higher than capital allowances.

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 October 2016 (*continued*)

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	158,427	113,387
Amounts owed to parent company	65,015	592,525
Other taxes and social security costs	281,309	268,862
Other creditors	6,610	3,297
Accruals and deferred income	2,682,878	2,393,398
	<u>3,194,239</u>	<u>3,371,469</u>

13 Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £0.001 each	1	1
	<u>1</u>	<u>1</u>

14 Commitments under operating leases

As at 31 October 2016, the company had minimum lease payments under non-cancellable operating leases as set out below:

	2016 £	2015 £
Operating leases which expire:		
Not later than one year	181,964	82,996
Later than one year and not later than five years	128,915	192,351
	<u>310,879</u>	<u>275,347</u>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (*continued*)

15 Related party transactions

Loans and transactions concerning directors

At 31 October 2016, an amount of £546,731 was owed by J P Howells a director (2015 - £48,505). No interest is charged on advances made to or on the balance owed by the director at the year end.

During the year J Howells, wife of J P Howells, a director of the company, received remuneration of £42,000 (2015 - £52,500).

16 Ultimate controlling party

The company is a wholly owned subsidiary of The Eteach Group Limited, which is the parent and ultimate parent company of the group and is incorporated in England and Wales.

The ultimate controlling party is J P Howells by virtue of his shareholding in The Eteach Group Limited.

The Eteach Group Limited prepares consolidated financial statements and copies can be obtained from Ground Floor, Norwich House, Knoll Road, Camberley, Surrey, GU15 3SY. This is the largest and smallest group of companies for which consolidated financial statements are prepared.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2016 (continued)

17 First time adoption of FRS 102

This is the first year that the company has prepared its financial statements in accordance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The last financial statements prepared in accordance with accounting standards previously applicable in the United Kingdom and the Republic of Ireland were for the period ended 31 October 2015. The date of transition to FRS102 was 1 August 2014. There were no changes to previously reported profit or loss and equity between the previous accounting framework and FRS102 other than a reclassification as explained below:

	Note	Equity as at 1 August 2014 £	Profit for Period ended 31 October 2015 £	Other comprehensive income for 31 October 2015 £	Equity as at 31 October 2015 £
As previously stated under former UK GAAP		2,491,582	880,081	-	571,663
Transitional adjustments					
Capitalised website development costs	a	-	-	-	-
As stated in accordance with FRS 102		<u>2,491,582</u>	<u>880,081</u>	<u>-</u>	<u>571,663</u>

Explanation of changes to previously reported profit and equity

- FRS 102 allows an accounting policy choice for the capitalisation of website development costs. Under previous UK GAAP, the company's accounting policy was to capitalise such costs as tangible fixed assets. The company has decided to capitalise such costs as intangible fixed assets. The result is that brought forward website development costs capitalised as tangible fixed assets have now been classified as intangible fixed assets for the period ended 31 October 2015. There is no effect to equity as at 1 August 2014 or 31 October 2015 and the profit for the period ended 31 October 2015.