

Eteach UK Limited

Report and Financial Statements

Year ended

31 October 2018

Company Number 03841479

WEDNESDAY



L8JK0954

LD2

04/12/2019

#82

COMPANIES HOUSE

Eteach UK Limited

Report and financial statements for the year ended 31 October 2018

Contents

Page:

1	Strategic report
3	Directors' report
4	Directors' responsibilities statement
5	Independent auditor's report
8	Statement of comprehensive income
9	Balance sheet
10	Statement of changes in equity
11	Notes forming part of the financial statements

Directors

J P Howells
G Clarke
R Linnell
D Burn

Secretary and registered office

M Yalden, 1 Arlington Square, Bracknell, Berkshire RG12 1WA

Company number

03841479

Auditors

BDO LLP, Level 12, Thames Tower, Station Road, Reading, Berkshire, RG1 1LX

Eteach UK Limited

Strategic report for the year ended 31 October 2018

The directors present the Strategic Report of the company together with the audited financial statements for the year ended 31 October 2018.

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.

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.

Review of the business

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 £1,047,321 (2017 - £1,581,106) for the year. Eteach UK Limited's profit and loss account shows turnover for the year of £8,555,475 (2017 - £8,849,752), and operating loss attributable to the company of £31,841 (2017 – profit £686,314). The year-on-year reduction in operating profit is largely due to increased staff related costs, hosting and licence costs arising from system improvements and upgrades and increased amortisation expenses arising from investment in the development of our websites.

The company's ongoing success is a result of its continuing investment in its staff, both in the online and recruitment sales teams, and in our customer service department. Our strengths lie in our abilities to anticipate our customers' needs and in providing a user-friendly service that consistently delivers results. As in prior years the company continued its investment in IT infrastructure and website ensures that we remain a leading provider of advertising and recruitment in the education sector. Our satellite offices continue to focus on teacher recruitment, into both temporary and permanent roles, with more than £1.7 million generated in revenues during the year. Further revenue growth is anticipated in this area in the new financial year.

Eteach offers our clients a range of products, constantly adapting to the changing landscape of the education sector to ensure we offer an excellent, cost-effective solution, coupled with the latest innovative technology to help our customers make the best recruitment decisions. Our strategy incorporates not only solutions for our customers, but assistance to our candidates by encouraging them to be proactive in their job search through providing free, immediate access to great jobs, easy-to-use online tools, resources and career advice. We also foster an international community of teachers through social media, blogs and regular newsletters. We continue to deliver an excellent customer- focussed service, which is demonstrated in our licence product client renewal rates which continue to remain in excess of 90% as in prior years.

Eteach UK Limited

Strategic report for the year ended 31 October 2018 (*continued*)

Review of the business (*continued*)

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 1.8 million total candidates registered at end of October 2018 [2017 - 1.8 million]
- More than 115,000 new candidates registered in the year.
- Visitors to our websites came from 221 countries in 2018.
- Organic traffic has grown on the new website to 37%
- Mobile traffic is growing and now above 58%

Website performance

- We advertised over 57,000 jobs on our website
- 7,500 schools advertised with us in 2018
- We have in excess of 8.7 million users and 41million page views.

The directors consider that Eteach remains 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.

On behalf of the Board



J P Howells
Director

Date 3/12/19

Eteach UK Limited

Directors' report for the year ended 31 October 2018

The directors present their report together with the audited financial statements for the year ended 31 October 2018:

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the profit for the year.

An interim dividend of £Nil was paid for the year ended 31 October 2018 (2017 - £Nil). 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

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 3/12/19

Eteach UK Limited

Directors' responsibilities statement for the year ended 31 October 2018

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; 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

Independent auditor's report

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ETEACH UK LIMITED

Opinion

We have audited the financial statements of Eteach UK Limited ("the Company") for the year ended 31 October 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Eteach UK Limited

Independent auditor's report (*continued*)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, if doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Eteach UK Limited

Independent auditor's report (*continued*)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Simon Brooker (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

Date 3 December 2019.

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 2018

	Note	2018 £	2017 £
Turnover	3	8,555,475	8,849,752
Cost of sales		(1,731,148)	(1,656,290)
Gross profit		6,824,327	7,193,462
Administrative expenses		(6,856,168)	(6,507,148)
Operating (loss) / profit	6	(31,841)	686,314
Other interest receivable and similar income		550	1,638
(Loss) / profit on ordinary activities before taxation		(31,291)	687,952
Taxation credit / (charge) on profit from ordinary activities	7	418,248	(99,131)
Profit on ordinary activities after taxation and total comprehensive income for the year		386,957	588,821

All amounts relate to continuing activities.

The notes on pages 11 to 23 form part of these financial statements.

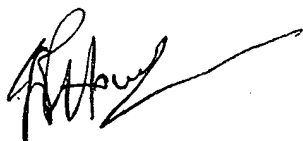
Eteach UK Limited

Balance sheet at 31 October 2018

Company number 03841479	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	8		1,465,256		1,405,457
Tangible assets	9		158,502		258,439
			<u>1,623,758</u>		<u>1,663,896</u>
Current assets					
Debtors	10	3,223,909		2,874,725	
Cash at bank and in hand		822,689		786,100	
		<u>4,046,598</u>		<u>3,660,825</u>	
Creditors: amounts falling due within one year	11	<u>(3,270,603)</u>		<u>(3,311,925)</u>	
Net current assets			<u>775,995</u>		<u>348,900</u>
Net assets			<u>2,399,753</u>		<u>2,012,796</u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account			2,399,752		2,012,795
Shareholders' funds			<u>2,399,753</u>		<u>2,012,796</u>

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

J P Howells
Director



The notes on pages 11 to 23 form part of these financial statements.

Eteach UK Limited

Statement of changes in equity at 31 October 2018

	Share capital £	Profit and loss account £	Total equity £
1 November 2017	1	2,012,795	2,012,796
Comprehensive income for the year:			
Profit for the year	-	386,957	386,957
Total comprehensive income for the year	-	386,957	386,957
31 October 2018	1	2,399,752	2,399,753

	Share capital £	Profit and loss account £	Total equity £
1 November 2016	1	1,423,973	1,423,974
Comprehensive income for the year:			
Profit for the year	-	588,822	588,822
Total comprehensive income for the year	-	588,822	588,822
31 October 2017	1	2,012,795	2,012,796

The notes on pages 11 to 23 form part of these financial statements.

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2018

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. The company is included in the consolidated financial statements The Eteach Group Limited.

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.

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 company'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 2018 (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 2018 (*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 2018 (*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 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 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. 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 2018 (*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.

Other key sources of estimation uncertainty

- *Intangible fixed assets (see note 8)*

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 8)*

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 9)*

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 10)*

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 10 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 2018 (continued)

3 Turnover

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

4 Employees

	2018 £	2017 £
Staff costs consist of:		
Wages and salaries	4,199,990	4,221,897
Social security costs	452,954	460,186
Pension costs	114,360	101,583
	<u>4,767,304</u>	<u>4,783,666</u>

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

	2018 Number	2017 Number
Sales	35	69
Administration	67	39
	<u>102</u>	<u>108</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

	2018 £	2017 £
Directors' remuneration	<u>157,976</u>	<u>157,972</u>

There were no directors in the company's defined contribution pension scheme during the year (2017 - Nil).

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2018 (continued)

5 Directors' remuneration (continued)

The total amount payable for the highest paid director in respect of emoluments was £157,976 (2017: £129,000).

6 Operating profit

	2018 £	2017 £
This has been arrived at after charging:		
Amortisation and other amounts written off intangible assets	949,322	721,967
Depreciation and other amounts written off tangible assets		
- owned assets	129,840	172,825
Auditors' remuneration:		
- audit of financial statements	16,500	16,600
- taxation services	4,200	4,000
- all other services	775	800
Operating lease expense	196,490	163,279
	<u> </u>	<u> </u>

7 Taxation on profit from ordinary activities

	2018 £	2018 £	2017 £	2017 £
<i>Current tax</i>				
UK corporation tax on profits of the year	-		64,072	
Adjustment in respect of prior years	(416,780)		(68,767)	
	<u> </u>		<u> </u>	
Total current tax		(416,780)		(4,695)
<i>Deferred tax</i>				
Origination and reversal of timing differences	1,557		44,941	
Adjustment in respect of prior years	(3,025)		58,885	
	<u> </u>		<u> </u>	
Movement in deferred tax provision (note 10)		(1,468)		103,826
		<u> </u>		<u> </u>
Taxation on profit on ordinary activities		(418,248)		99,131
		<u> </u>		<u> </u>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2018 *(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:

	2018 £	2017 £
(Loss) / profit on ordinary activities before tax	(31,291)	687,952
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.41%)	(5,945)	133,557
Effects of:		
Expenses not deductible for tax purposes	8,715	6,132
Fixed asset differences	778	-
Group relief claimed	-	(3,692)
Adjustments to tax charge in respect of previous periods	(416,780)	(68,767)
Adjustments to deferred tax charge in respect of previous periods	(3,025)	58,885
Adjustments to deferred tax opening and closing average rate	(373)	(9,037)
Deferred tax not recognised	(1,618)	(18,705)
Other tax adjustments	-	758
Total tax charge for year	(418,248)	99,131

Factors that may affect future tax charges

The company has approximately £931,758 (2017 - £931,758) of tax losses available for offset against future trading profits from a previously acquired trade, subject to agreement by HM Revenue and Customs.

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 October 2018 (*continued*)

8 Intangible fixed assets

	Website development costs £
<i>Cost</i>	
At 1 November 2017	3,354,486
Additions	1,009,121
	<hr/>
At 31 October 2018	4,363,607
	<hr/>
<i>Amortisation</i>	
At 1 November 2017	1,949,029
Provided for the year	949,322
	<hr/>
At 31 October 2018	2,898,351
	<hr/>
<i>Net book value</i>	
At 31 October 2018	1,465,256
	<hr/>
At 31 October 2017	1,405,457
	<hr/>

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 October 2018 *(continued)*

9 Tangible fixed assets

	Leasehold improvements £	Computer equipment and software £	Fixtures and equipment £	Total £
<i>Cost</i>				
At 1 November 2017	258,212	362,367	156,589	777,168
Additions	-	29,903	-	29,903
Disposal	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2018	258,212	392,270	156,589	807,071
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 November 2017	211,465	174,446	132,818	518,729
Provided for the year	32,030	83,781	14,029	129,840
Disposal				
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2018	243,495	258,227	146,847	648,569
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 October 2018	14,718	134,043	9,741	158,502
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2017	46,747	187,921	23,771	258,439
	<hr/>	<hr/>	<hr/>	<hr/>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2018 (*continued*)

10 Debtors

	2018 £	2017 £
Trade debtors	1,020,241	1,308,117
Amount due from group companies	202,928	111,260
Other debtors	1,007,592	920,842
Prepayments and accrued income	278,608	295,414
Corporation tax repayable	470,050	26,718
Deferred tax	244,490	212,374
	<u>3,223,909</u>	<u>2,874,725</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 £nil (2017 - £115,485).

	2018 £	2017 £
<i>Deferred tax asset:</i>		
At 1 November 2017	212,374	186,895
Transferred to profit and loss account	1,468	(103,826)
Deferred tax on director's loan account	30,648	129,305
At 31 October 2018	<u>244,490</u>	<u>212,374</u>

Deferred tax asset arises from:

Accelerated capital allowances	(221,525)	(217,123)
Other short term timing differences	301,746	271,098
Tax losses carried forward	164,269	158,399
	<u>244,490</u>	<u>212,374</u>

Eteach UK Limited

Notes forming part of the financial statements
for the year ended 31 October 2018 (*continued*)

11 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	217,930	181,400
Other taxes and social security costs	365,283	341,531
Other creditors	2,984	374
Accruals and deferred income	2,684,406	2,788,620
	<u>3,270,603</u>	<u>3,311,925</u>

12 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i> 1,000 ordinary shares of £0.001 each	<u>1</u>	<u>1</u>

13 Commitments under operating leases

As at 31 October 2018, the company had minimum lease payments under non-cancellable operating leases as set out below:

	2018 £	2017 £
Operating leases which expire:		
Not later than one year	150,120	201,683
Later than one year and not later than five years	18,036	55,830
	<u>168,156</u>	<u>257,513</u>

Eteach UK Limited

Notes forming part of the financial statements for the year ended 31 October 2018 (*continued*)

14 Related party transactions

Loans and transactions concerning directors

At 31 October 2018, an amount of £995,783 was owed by J P Howells a director (2017 - £901,482). 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 £60,000 (2017 - £51,000).

15 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 1 Arlington Square, Bracknell, Berkshire RG12 1WA. This is the largest and smallest group of companies for which consolidated financial statements are prepared.