
ETEACH UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

ETEACH UK LIMITED

COMPANY INFORMATION

Directors	D A S Burn G A Clarke J P Howells R M Howells A P Markowski (appointed 1 May 2020) E F Whelan (appointed 1 May 2020)
Company secretary	I Weideman
Registered number	03841479
Registered office	1 Arlington Square Downshire Way Bracknell RG12 1WA
Independent auditor	Nexia Smith & Williamson Statutory Auditor & Chartered Accountants 25 Moorgate London EC2R 6AY

ETEACH UK LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 OCTOBER 2019**

Introduction

The directors present the Strategic Report of the Company for the year ended 31 October 2019.

Principal activities

The principal activity of the Company continued to be that of the provision of specialist software, 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.

Business review

Our financials reflect the success of our operating strategies as shown by revenue growth and profitability. The director considers that the key performance indicators of the Group are EBITDA, licence renewals, candidate statistics and website performance.

The Company's preferred measure of true profitability – EBITDA – was £159,627 (2018: £1,047,321) for the year. Eteach UK Limited's profit and loss account shows turnover for the year of £7,345,604 (2018: £8,555,475), and operating loss attributable to the Company of £884,721 (2018: £31,841). 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 business performance 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.

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.

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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2019

Candidate statistics

- Over 1.9 million total candidates registered at end of October 2019 (2018: 1.8 million)
- More than 115,000 new candidates registered in the year (2018: 115,000)
- Visitors to our websites came from over 220 countries in 2019 (2018: 221)
- Organic traffic has grown on the new website to 40% (2018: 37%)
- Mobile traffic is growing and now above 64% (2018: 58%)

Website performance

- We advertised over 60,000 jobs on our website (2018: 57,000)
- 7,500 schools advertised with us in 2019 (2018: 7,500)
- We have in excess of 8.3 million (2018: 8.7 million) users and 44 million page views (2018: 41 million)

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.

Principal risks and uncertainties

The Company's sole credit risk relates to its trade debtors. As well as ensuring Multi Academy Trust's, Local Authority's 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.

Going concern

In view of the ongoing COVID-19 crisis, the directors have considered the going concern of the Company and have modelled numerous future potential scenarios. These financial models have given the directors comfort that, even in the worst case scenarios, the Company will have sufficient cash reserves in order to continue in operational existence for the foreseeable future, being the period of at least 12 months from signing these financial statements.

This report was approved by the board and signed on its behalf.

J P Howells
Director

Date: 30 October 2020

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2019**

The directors present their report and the financial statements for the year ended 31 October 2019.

Results and dividends

The loss for the year, after taxation, amounted to £707,284 (2018: profit £386,957).

No dividends were paid or proposed during the year (2018: £Nil).

Directors

The directors who served during the year were:

D A S Burn
G A Clarke
J P Howells
R M Howells (appointed 1 September 2019)
R M Linnell (resigned 1 May 2020)

Future developments

Where necessary, disclosures relating to future developments have been made in the Strategic Report and have not been repeated here in accordance with Section 414C of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

On 11 March 2020 COVID-19 was declared a global pandemic by the World Health Organisation. On 23 March 2020 the UK went into lockdown. During this time, the Company has been able to continue to trade despite schools have been closed for 5 months and recruitment activity and purchasing have been limited, while the COVID-19 pandemic continues to create uncertainty, the business has taken appropriate measures to review systems and working practices to ensure that the workforce can remain efficient and effective throughout the crisis and beyond.

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ETEACH UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2019**

This report was approved by the board and signed on its behalf.

J P Howells

Director

Date: 30 October 2020

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2019**

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 year. Under that law the directors have elected to prepare the financial statements in accordance with 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'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ETEACH UK LIMITED

Opinion

We have audited the financial statements of Eteach UK Limited (the 'Company') for the year ended 31 October 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 FRS 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 2019 and of its loss 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.

Emphasis of matter - impact on going concern

We draw attention to note 2.3 of the financial statements, which describes the impact of COVID-19 on the Company. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ETEACH UK LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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, in 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.

Opinion 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 or the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ETEACH UK LIMITED (CONTINUED)

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 on the Financial Reporting Council's website at: 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.

Nicholas Jacques (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants

25 Moorgate

London

EC2R 6AY

30 October 2020

ETEACH UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2019

	Note	2019 £	2018 £
Turnover	4	7,345,604	8,555,475
Cost of sales		(1,437,791)	(1,731,148)
Gross profit		5,907,813	6,824,327
Administrative expenses		(6,481,960)	(6,856,168)
Impairment of intercompany receivable		(310,574)	-
Operating loss	5	(884,721)	(31,841)
Interest receivable and similar income		1,908	550
Loss before tax		(882,813)	(31,291)
Tax on loss	9	175,529	418,248
(Loss)/profit for the financial year		(707,284)	386,957

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 12 to 25 form part of these financial statements.

ETEACH UK LIMITED
REGISTERED NUMBER:03841479

BALANCE SHEET
AS AT 31 OCTOBER 2019

	Note	2019 £	<i>As restated</i> 2018 £
Fixed assets			
Intangible assets	10	1,318,046	1,465,256
Tangible assets	11	182,282	158,502
		<u>1,500,328</u>	<u>1,623,758</u>
Current assets			
Debtors: amounts falling due within one year	12	2,658,867	3,016,979
Cash at bank and in hand	13	1,154,641	822,689
		<u>3,813,508</u>	<u>3,839,668</u>
Creditors: amounts falling due within one year	14	(3,678,297)	(3,120,603)
Net current assets		<u>135,211</u>	<u>719,065</u>
Total assets less current liabilities		<u>1,635,539</u>	<u>2,342,823</u>
Provisions for liabilities			
Other provisions	16	(150,000)	(150,000)
Net assets		<u><u>1,485,539</u></u>	<u><u>2,192,823</u></u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	18	1,485,538	2,192,822
Shareholders' funds		<u><u>1,485,539</u></u>	<u><u>2,192,823</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J P Howells
Director

Date: 30 October 2020

The notes on pages 12 to 25 form part of these financial statements.

ETEACH UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 November 2017 (as restated)	1	1,805,865	1,805,866
Comprehensive income for the year			
Profit for the year	-	386,957	386,957
At 1 November 2018 (as restated)	1	2,192,822	2,192,823
Comprehensive income for the year			
Loss for the year	-	(707,284)	(707,284)
At 31 October 2019	1	1,485,538	1,485,539

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

1. General information

Eteach UK Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 03841479). The registered office address is 1 Arlington Square, Downshire Way, Bracknell, RG12 1WA.

The Company's functional and presentational currency is GBP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Eteach Group Limited as at 31 October 2019 and these financial statements may be obtained from Companies House.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The Company made a loss of £707,284 (2018: £386,957 profit) for the year ended 31 October 2019 and had net assets of £1,485,539 (2018: £2,192,823) at the balance sheet date.

As described in the Strategic Report, the financial statements have been prepared on a going concern basis. The results for the Company shows a positive EBITDA for the year. The directors have assessed, based on current projections, including considering the potential impact of the COVID-19 pandemic, that there is reasonable assurance the Company will have adequate resources to meet the on-going costs of the business for a minimum of 12 months from the date of signing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

2. Accounting policies (continued)

2.4 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. Permanent revenue is recognised on start date of the candidate and temporary revenue is recognised based on approved time sheets. Amounts not yet invoiced are included in accrued income in the Balance Sheet; and
- Subscription revenue is recognised on a straight-line basis over the term of the contract. Revenue not recognised in profit or loss is classified as deferred income in the Balance Sheet.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.6 Intangible assets - website development costs

Website development costs are charged to profit or loss 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 website used only for advertising and promotional purposes is written off as incurred.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	20%
Fixtures and equipment	-	20%
Computer equipment	-	33%
Computer software	-	20%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

2. Accounting policies (continued)

2.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.11 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and 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 balance sheet date in the countries where the Company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors consider that the following judgements have had the most significant effect on amounts recognised in the financial statements:

Leases

Determine whether leases entered into by the Company either as a lessor or 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.

Impairment of fixed assets

Determine whether there are indicators of impairment of the Company's tangible and intangible fixed assets. Factors taken into consideration in reaching such decision include the economic viability and expected future financial performance of the asset.

The directors consider that the key sources of estimation uncertainty in preparing the financial statements are:

Intangible fixed assets

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

Website development costs are charged to profit or loss in the year of expenditure unless individual projects satisfy certain criteria. 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

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 value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019**

3. Judgements in applying accounting policies (continued)

Impairment of debtors

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 12 for the net carrying amount of the debtors and associated impairment provision.

4. Turnover

The whole of the turnover is attributable to the principal activity.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2019	2018
	£	£
Amortisation of intangible fixed assets	948,553	949,322
Depreciation of tangible fixed assets	95,795	129,840
Other operating lease rentals	<u>330,463</u>	<u>196,490</u>

6. Auditor's remuneration

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>16,500</u>	<u>16,500</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

ETeach UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,200,738	4,199,990
Social security costs	354,359	452,954
Cost of defined contribution scheme	107,999	114,360
	<u>3,663,096</u>	<u>4,767,304</u>

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

	2019 No.	2018 No.
Sales	35	35
Administration	65	67
	<u>100</u>	<u>102</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.

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>185,106</u>	<u>157,976</u>

There were no directors in the Company's defined contribution pension scheme during the year (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	<u>(95,116)</u>	<u>(416,780)</u>
Deferred tax		
Origination and reversal of timing differences	(80,413)	1,557
Adjustment in respect of prior years	-	(3,025)
Total deferred tax	<u>(80,413)</u>	<u>(1,468)</u>
Taxation on loss on ordinary activities	<u>(175,529)</u>	<u>(418,248)</u>

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2018: *lower than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(882,813)</u>	<u>(31,291)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(167,734)	(5,945)
Effects of:		
Expenses not deductible for tax purposes	69,548	8,715
Fixed asset differences	1,942	778
Adjustments to tax charge in respect of prior periods	-	(416,780)
Adjustment in R&D tax credit	(95,077)	-
Adjustments to deferred tax charge in respect of previous periods	-	(3,025)
Adjustments to deferred tax opening and closing average rate	8,751	(373)
Deferred tax not recognised	7,041	(1,618)
Total tax credit for the year	<u>(175,529)</u>	<u>(418,248)</u>

Factors that may affect future tax charges

The Company has approximately £936,838 (2018: £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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

10. Intangible assets

	Website development costs £
Cost	
At 1 November 2018	4,363,607
Additions	801,343
At 31 October 2019	5,164,950
Amortisation	
At 1 November 2018	2,898,351
Charge for the year	948,553
At 31 October 2019	3,846,904
Net book value	
At 31 October 2019	1,318,046
At 31 October 2018	1,465,256

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

11. Tangible fixed assets

	Leasehold improvements £	Fixtures and equipment £	Computer equipment and software £	Total £
Cost				
At 1 November 2018	258,212	156,589	392,270	807,071
Additions	102,960	2,677	13,938	119,575
At 31 October 2019	361,172	159,266	406,208	926,646
Depreciation				
At 1 November 2018	243,495	146,847	258,227	648,569
Charge for the year	25,012	8,781	62,002	95,795
At 31 October 2019	268,507	155,628	320,229	744,364
Net book value				
At 31 October 2019	92,665	3,638	85,979	182,282
At 31 October 2018	14,717	9,742	134,043	158,502

12. Debtors

	2019 £	As restated 2018 £
Trade debtors	948,174	1,020,241
Amounts owed by group undertakings	141,985	202,928
Other debtors	917,547	800,662
Prepayments and accrued income	124,706	278,608
Tax recoverable	301,746	-
Corporation tax recoverable	201,552	470,050
Deferred taxation	23,157	244,490
	<u>2,658,867</u>	<u>3,016,979</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

13. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>1,154,641</u>	<u>822,689</u>

14. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	147,868	217,930
Other taxation and social security	385,844	365,283
Other creditors	16,745	2,984
Accruals and deferred income	3,127,840	2,534,406
	<u>3,678,297</u>	<u>3,120,603</u>

15. Deferred taxation

	2019 £	2018 £
At beginning of year	(244,490)	(212,374)
Charged to profit or loss	(221,333)	1,468
Deferred tax on short-term timing differences	-	30,648
At end of year	<u>(23,157)</u>	<u>(244,490)</u>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(182,419)	221,525
Tax losses carried forward	159,262	(164,269)
Other short-term timing differences	-	(301,746)
	<u>(23,157)</u>	<u>(244,490)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

16. Provisions

	Dilapidations provision £
At 1 November 2018	150,000
At 31 October 2019	150,000

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 Ordinary share of £1.00	<u>1</u>	<u>1</u>

18. Reserves

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

19. Prior year adjustment

Following a review of the director's loan account balance, a prior year restatement has been recognised. This has had the effect of decreasing the 'other debtors' balance from £1,007,592 to £800,662 and decreasing the 'profit and loss account' at 1 November 2017 from £2,012,795 to £1,805,865.

20. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £107,999 (2018: £114,360). Contributions totalling £474 (2018: £728) were payable to the fund at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

21. Commitments under operating leases

At 31 October the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	176,729	150,120
Later than 1 year and not later than 5 years	765,824	18,036
	<u>942,553</u>	<u>168,156</u>

22. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

At 31 October 2019, an amount of £900,533 (2018: £995,783) was owed by J P Howells, a director of the Company. No interest is charged on advances made to or on the balance owed by the director at the year end.

During the year, three family members of J P Howells, received remuneration totalling £204,410 (2018: £60,000).

23. Post balance sheet events

On 11 March 2020 COVID-19 was declared a global pandemic by the World Health Organisation. On 23 March 2020 the UK went into lockdown. During this time, the Company has been able to continue to trade despite schools have been closed for 5 months and recruitment activity and purchasing have been limited, while the COVID-19 pandemic continues to create uncertainty, the business has taken appropriate measures to review systems and working practices to ensure that the workforce can remain efficient and effective throughout the crisis and beyond.

24. Controlling party

The Company's immediate and ultimate parent undertaking is The Eteach Group Limited, a company registered in England and Wales.

The largest and smallest group of undertakings for which group accounts for the year ended 31 October 2019 have been drawn up, is that headed by The Eteach Group Limited. Copies of the group accounts are available from Companies House.

The ultimate controlling party is J P Howells, by virtue of their shareholding and directorship in the ultimate parent undertaking.

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