

EMPLOYMENT CONDITIONS ABROAD LIMITED

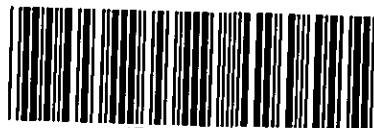
(Registered number 01030127)

ANNUAL REPORT

YEAR ENDED 31st MAY 2012

PKF (UK) LLP

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EMPLOYMENT CONDITIONS ABROAD LIMITED
ANNUAL REPORT
YEAR ENDED 31st MAY 2012

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**EMPLOYMENT CONDITIONS ABROAD LIMITED
DIRECTORS, OFFICERS AND REGISTERED OFFICE
YEAR ENDED 31st MAY 2012**

Directors

Mr J C S Rankin (Chairman)
Mr G J Burkart
Mr R P Cutler
Ms H G Kemp
Mr H M Lister
Ms A Macleod
Mr I S Ridgwell

Secretary

Ms A Morton

Registered office

New Brook Buildings
16 Great Queen Street
London
WC2B 5DG

Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

**EMPLOYMENT CONDITIONS ABROAD LIMITED
CHAIRMAN'S STATEMENT
YEAR ENDED 31st MAY 2012**

Chairman's statement

The continuing uncertainty around currencies has developed from being a source of concern to IHR and Treasury professionals to becoming a real hindrance to worldwide growth. The lack of investment is leading to falling growth rates across the globe and the political gridlock in the US and Europe is having the effect of causing companies to hold ever increasing amounts of cash on their balance sheets. It is notable that, for the first time in many years, the concepts of negative interest rates or taxes on cash assets are being discussed.

Historically financial recessions have always been long lasting but few would have imagined that the fall-out from US sub-prime collapse would still be felt after five years and that the world's second most important currency, the Euro, would be under threat. The market climate for ECA's clients is extremely difficult.

Until now, the BRIC countries have managed to maintain strong growth and create opportunities for international business. Unfortunately, Brazil's growth has slowed sharply and the currency has weakened, Russia is suffering from having a dominant oil sector in a time of falling oil prices, India's business climate is so poor that many businesses are reconsidering their investments and the country is effectively propped up by falling exchange rates, and finally China, where the combination of slowing export markets, a cooling property market and the uncertainty surrounding the direction of the new regime have led to a slowing of inward investment.

This economic background has meant that companies have fewer investment opportunities and need to be even more competitive where these exist. The result has been the inevitable paradox – a need for lower costs but, at the same time, the best talent.

Mobility policies have reflected this paradox. There has been a sharp increase in the demand for 'reasonably' accurate cost projections for assignments. Increasingly, these are being required before a sign-off is given. The next step of tracking actual costs against forecasts is much discussed and ECA is helping its clients to move in this direction.

At the same time 'local packages' to reduce cost have become very much the vogue. In the financial services industry, where host locations are largely developed cities with well-known compensation norms, this is reasonably straightforward, albeit these 'local packages' are remarkably similar to grossed up versions of a build-up calculation! However, even here the paradox exists. As one banker said to me recently, 'We don't have expats, only local packages – unless we really need someone to go!'

So what of ECA in this difficult world? The budget for the 2011-2012 year was predicated on weak demand but high internal investment. This is, indeed, how the year has turned out. Turnover increased by 5% despite minimal price increases. The company continued its development of products and good cost control resulted in an increase of nearly £100k in the Pre-tax profit for the year. Incidentally, this is the second best Pre-tax result in the company's history.

Issues surrounding the closed Defined Benefits pension scheme continue to loom over the business. The triennial review is underway but the FRS17 figures as at May 31, 2012 are a definite warning of what is to come. The Pension Regulator's very tough stance on valuation methodology in this environment of low interest rates means that shortfalls are bound to rise dramatically. The Statement of Total Recognised Gains and Losses (STRGL) account and the net pension liability in the group and company Balance sheet underline this impact. ECA is working hard to ensure that these conceptual numbers do not become 'actual' and that the underlying profit growth and improvement in the balance sheet are seen as the true picture of a successful year.

Once again I would like to thank everyone concerned for their efforts in producing such an excellent result.

The uncertainty surrounding the size of the shortfall which will arise from the Triennial pension valuation has led the Board to recommend the maintenance of the dividend at £80.61 per share.

**EMPLOYMENT CONDITIONS ABROAD LIMITED
CHAIRMAN'S STATEMENT
YEAR ENDED 31st MAY 2012**

Looking forward, the future of the Eurozone and the US Presidential election overshadow everything. The company will continue to maximise its advantages of having cash to invest in improving products and services, whilst benefiting from its small size to remain fleet-footed.

Financial results

2011-12 was a very successful year for ECA. The company recorded its second highest profit before tax despite the ongoing recession. This was especially notable given the negative impact of the investment portfolio and the weakness of the Euro (the currency in which ECA has 40% plus of its billings).

The taxation figure was higher this year, as the company made a reduced payment into the Employment Conditions Aboard Retirement Benefits Scheme (ECARBS) and subsequently had a lower tax shield. The decision was made to limit the payments to ECARBS until the full impact of the triennial valuation was understood.

The Balance Sheet before the impact of the FRS17 figures continues to strengthen. ECA invested heavily in the development of the ECA Enterprise system and developed new products. The debtor figure rose more than proportionally to the turnover. This was the result of clients taking longer over payments and to a technical restructuring involving credit balances within the company's debtors. The cash flow remains strong with Net Funds increasing by £672k on the year.

The Board has recommended an unchanged dividend (£80.61 per share) in the light of the uncertainty surrounding the triennial pension fund review.

2012-13 has started strongly. The company is on budget after 4 months and well ahead of the last year's performance.

Pension funds

The year has been dominated by the Pension Regulator's response to the extreme difficulties being caused by the Government's programme of quantitative easing. The final position appears to be that the calculation methodology remains firm but the period of recovery plans may be lengthened subject to the strength of the company's covenant.

The impact of the weakened yield figures can clearly be seen in the FRS17 numbers. The gross loss of £1,772k in the Statement of Total Recognised Gains and Losses (STRGL) account is largely due to changes in the financial assumptions.

ECA's latest triennial valuation was commenced in May and the final report should be available by the end of the calendar year. Discussions with the Trustees concerning the Recovery Plan are scheduled for February 2013.

The company's Defined Contribution scheme continues to be well supported, with 64 employees contributing.

**EMPLOYMENT CONDITIONS ABROAD LIMITED
DIRECTORS REPORT
YEAR ENDED 31st MAY 2012**

The directors have pleasure in submitting to the shareholders their forty-first annual report and financial statements for the year ended 31st May 2012

Principal activities, business review and future developments

Employment Conditions Abroad Limited ("ECA") is the parent company of a group of companies, the principal activity of which is the continuous collection, analysis, updating and distribution of information to members on all aspects of international employment. The group also provides consultancy services and application software.

A review of the group's performance, as well as the development of the business of the group during the year, the position of the group at the end of the year and likely future developments, together with a description of the principal risks and uncertainties facing the group, is contained in the information provided in the Chairman's statement on page 2.

Financial instruments

The group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

ECA undertakes forward contracts to mitigate exchange risks. These contracts are only taken against known currency flows and represent less than 50% of the income in any currency.

Results and dividends

The results for the year are shown in the group profit and loss account on page 8. The directors are recommending a dividend of £80.61 (2011 - £80.61) per ordinary share.

Directorate

The names of the directors who served during the year are as follows:

Mr G J Burkart
Mr R P Cutler
Ms H G Kemp
Mr H M Lister
Ms A Macleod
Mr J C S Rankin (Chairman)
Mr I S Ridgwell (Managing Director)

Mr I S Ridgwell served as an Executive Director.

**EMPLOYMENT CONDITIONS ABROAD LIMITED
DIRECTORS REPORT
YEAR ENDED 31st MAY 2012**

Political and charitable contributions

The group has not made any political or charitable contributions during the year (2011 - £NIL)

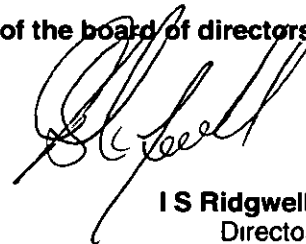
Supplier payment policy

The company has subscribed to the CBI Prompt Payers Code and endeavours to ensure that its suppliers' agreed credit terms are complied with

Awareness of relevant audit information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

By order of the board of directors



I S Ridgwell
Director

15 October 2012

EMPLOYMENT CONDITIONS ABROAD LIMITED DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing 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 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 the group and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
EMPLOYMENT CONDITIONS ABROAD LIMITED
YEAR ENDED 31st MAY 2012**

We have audited the financial statements of Employment Conditions Abroad Limited for the year ended 31 May 2012 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and parent company balance sheets, the group cash flow statement 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).

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 auditor

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. 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2012 and of the group's 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.

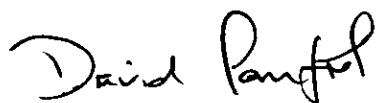
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



David Pomfret (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK 15 October 2012

EMPLOYMENT CONDITIONS ABROAD LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MAY 2012

	<u>Notes</u>	<u>2012</u> £000	<u>2011</u> £000
Turnover	2	11,747	11,189
Cost of sales and services		(7,913)	(7,859)
Gross profit		<u>3,834</u>	<u>3,330</u>
Administrative expenses		(1,990)	(1,716)
Operating profit		<u>1,844</u>	<u>1,614</u>
(Loss) / gain on sale of investments		(95)	9
Interest and dividends receivable	3	83	139
Net pension finance gain		72	49
Profit on ordinary activities before taxation	4	<u>1,904</u>	<u>1,811</u>
Tax on profit on ordinary activities	5		
Corporation tax		(442)	(339)
Deferred tax		(9)	(12)
Deferred tax on pension contributions		(77)	(34)
		<u>(528)</u>	<u>(385)</u>
Profit for the financial year	13	<u><u>1,376</u></u>	<u><u>1,426</u></u>

All amounts relate to continuing activities

EMPLOYMENT CONDITIONS ABROAD LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31st MAY 2012

	<u>2012</u> £000	<u>2011</u> £000
Profit for the financial year	1,376	1,426
(Loss) / gain on foreign currency translation	(142)	57
Actuarial loss relating to the pension scheme	(1,772)	(796)
UK deferred tax attributable to actuarial loss	425	220
	<hr/>	<hr/>
Total recognised (losses) / gains relating to the year	(113)	907
	<hr/> <hr/>	<hr/> <hr/>

**REGISTERED NUMBER - 01030127
EMPLOYMENT CONDITIONS ABROAD LIMITED
GROUP BALANCE SHEET
YEAR ENDED 31st MAY 2012**

	<u>Notes</u>	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	6	1,569	1,421
Investments	7	13	13
		<hr/>	<hr/>
		1,582	1,434
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	8	3,243	2,553
Investments	9	4,017	4,129
Cash at bank and in hand		4,856	4,072
		<hr/>	<hr/>
		12,116	10,754
CREDITORS			
Amounts falling due within one year	10(a)	(6,457)	(5,611)
		<hr/>	<hr/>
NET CURRENT ASSETS		5,659	5,143
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,241	6,577
CREDITORS			
Amounts falling due after more than one year	10(b)	(29)	(20)
NET PENSION LIABILITY	18	(1,102)	-
		<hr/>	<hr/>
NET ASSETS		6,110	6,557
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	4	4
Capital redemption reserve		2	2
Profit and loss account	13	6,104	6,551
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	14	6,110	6,557
		<hr/>	<hr/>

Approved by the board of directors and authorised for issue on 15 October 2012 and signed on their behalf by


I S Ridgwell

Director

REGISTERED NUMBER - 01030127
EMPLOYMENT CONDITIONS ABROAD LIMITED
COMPANY BALANCE SHEET
31st MAY 2012

	<u>Notes</u>	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	6	1,569	1,421
Investments	7	13	13
		<hr/>	<hr/>
		1,582	1,434
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	8	3,421	2,721
Investments	9	4,017	4,129
Cash at bank and in hand		4,763	3,953
		<hr/>	<hr/>
		12,201	10,803
CREDITORS			
Amounts falling due within one year	10(a)	(6,220)	(5,431)
		<hr/>	<hr/>
NET CURRENT ASSETS		5,981	5,372
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,563	6,806
		<hr/>	<hr/>
CREDITORS			
Amounts falling due after more than one year	10(b)	(29)	(20)
NET PENSION LIABILITY	18	(1,102)	-
		<hr/>	<hr/>
NET ASSETS		6,432	6,786
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	4	4
Capital redemption reserve		2	2
Profit and loss account	13	6,426	6,780
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		6,432	6,786
		<hr/>	<hr/>

Approved by the board of directors and authorised for issue on 15 October 2012 and signed on their behalf by


I S Ridgwell

Director

EMPLOYMENT CONDITIONS ABROAD LIMITED
GROUP CASHFLOW STATEMENT
31st MAY 2012

	<u>Notes</u>	<u>2012</u> £000	<u>2011</u> £000
Net cash inflow from operating activities	(a)	1,844	1,684
Returns on investments and servicing of finance			
Interest received		29	18
Dividends received		206	145
		235	163
Taxation			
Taxation paid		(321)	(298)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(512)	(805)
Equity dividends paid		(283)	(298)
		(795)	(1,103)
Management of liquid resources			
Receipts from sale of current financial assets		342	167
Payments to acquire current financial assets		(477)	(1,280)
		(135)	(1,113)
Financing			
Purchase of own shares		(44)	-
Increase / (decrease) in cash		784	(667)
Reconciliation of net cash flow to movement in net funds			
Increase / (decrease) in cash in the year		784	(667)
Cash outflow from increase in liquid resources		135	1,113
Change in net funds resulting from cash flows		919	446
Non-cash movements		(247)	(15)
Movement in net funds		672	431
Net funds at 1 st June 2011		8,201	7,770
Net funds at 31st May 2012	(b)	8,873	8,201

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE GROUP CASHFLOW STATEMENT
31st MAY 2012

	<u>2012</u> £000	<u>2011</u> £000		
(a) Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit	1,844	1,614		
Depreciation	359	309		
Dilapidation provisions	-	(148)		
Loss on disposal of tangible fixed assets	5	10		
Movements in foreign exchange	(142)	57		
Increase in debtors	(682)	(453)		
Increase in creditors	710	377		
FRS 17 charge less contributions	(250)	(82)		
	<hr/>	<hr/>		
Net cash inflow from operating activities	1,844	1,684		
	<hr/>	<hr/>		
(b) Analysis of changes in net funds				
	At 1 st June <u>2011</u> £000	<u>Cash flow</u> £000	<u>Other</u> <u>changes</u> £000	At 31 st May <u>2012</u> £000
Cash in hand and at bank	4,072	784	-	4,856
Current asset investments	4,129	135	(247)	4,017
	<hr/>	<hr/>	<hr/>	<hr/>
	8,201	919	(247)	8,873
	<hr/>	<hr/>	<hr/>	<hr/>

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

1 ACCOUNTING POLICIES

a) Basis of consolidation

The financial statements, which have been prepared under the historical cost convention and in accordance with applicable accounting standards, consolidate the financial statements of the company and its subsidiaries made up to 31 May 2012. As permitted by s408 of the Companies Act 2006, the profit and loss account of the company is not presented as part of these financial statements.

No disclosure has been made of transactions between the parent and subsidiary undertakings in accordance with the exemptions allowed by FRS 8 Related Party Disclosures ("FRS 8").

b) Tangible fixed assets

Tangible fixed assets are stated at cost less provisions for depreciation and any provision for impairment. Depreciation on tangible fixed assets is charged so as to write them off on a straight line basis over their expected useful lives at the following rates:

Furniture, fixtures and equipment -	10% to 33% of cost per annum
Web-site development costs -	20% of cost per annum

Assets under the course of construction are not depreciated until the asset is brought into use.

c) Investments

Fixed asset investments are stated at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in FRS 19 Deferred Tax ("FRS 19"). Deferred tax assets are only recognised when they arise from timing differences where their recoverability is regarded as more likely than not. Deferred tax balances are not discounted.

e) Turnover

Turnover represents amounts receivable for goods and services provided during the period in the normal course of business, net of trade discounts, VAT and other sales related taxes. Fees received in advance are credited to revenue on a time-apportionment basis.

f) Foreign currency

Transactions in foreign currencies are recorded at the prevailing rate on the date the transaction occurred. Exchange differences arising are included as an exchange gain or loss. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates is included as an exchange gain or loss in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are included as an exchange gain or loss in the statement of total recognised gains and losses.

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

1 ACCOUNTING POLICIES (continued)

g) Operating leases

Rentals paid under operating leases are charged against income on a straight line basis over the lease term

h) Pension costs and other post retirement benefits

The group operates The Employment Conditions Abroad Limited Retirement Benefits Scheme which is a defined benefit arrangement. The scheme is now closed to future accrual.

In accordance with FRS 17 Retirement Benefits ("FRS 17") the group only recognise a net pension asset to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. Where a net pension asset or liability is recognised, it is done so net of the related deferred tax. The changes in scheme assets and liabilities, based on actuarial advice are recognised as follows:

- The current service cost, based on the most recent actuarial valuation, is deducted in arriving at operating profit
- The interest cost, based on the present value of scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest
- The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in scheme assets during the year, is included in interest
- Actuarial gains and losses, representing differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses
- Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately
- Gains and losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit
- Any calculated pension scheme assets which cannot be recognised in the balance sheet are provided for in either the profit and loss account or the statement of total recognised gains and losses

The company also operates a defined contribution scheme. The charge represents the contributions payable by the company in the period.

i) Liquid resources

Cash includes net cash in hand and bank deposits repayable on demand or within one working day and liquid resources include all of the group's other bank deposits and current asset investments.

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

2 TURNOVER

The geographical analysis of group turnover by destination is as follows

	<u>2012</u> £000	<u>2011</u> £000
United Kingdom	3,643	3,652
Continental Europe	5,523	5,005
Rest of the World	2,581	2,532
	<hr/> 11,747 <hr/>	<hr/> 11,189 <hr/>

3 INTEREST AND DIVIDENDS RECEIVABLE

	<u>2012</u> £000	<u>2011</u> £000
Interest receivable	29	18
Dividends receivable	206	145
Movement in provision for diminution in value of investments	(152)	(24)
	<hr/> 83 <hr/>	<hr/> 139 <hr/>

**4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION
IS STATED AFTER CHARGING**

	<u>2012</u> £000	<u>2011</u> £000
Depreciation	359	309
Directors' emoluments (note 15)	325	314
Auditors' remuneration		
- audit services	36	34
- non audit services	32	27
Operating leases - land and buildings	469	360
- other	3	3
Loss on disposal of fixed assets	5	10
	<hr/>	<hr/>

5 TAXATION

	<u>2012</u> £000	<u>2011</u> £000
(a) The tax charge for the year comprises		
United Kingdom corporation tax	425	316
Overseas taxation	-	5
Tax attributable to franked investment income	21	18
Adjustments in respect of previous periods	(4)	-
	<hr/>	<hr/>
Total current tax (see 5(b))	442	339
Deferred tax	9	12
Deferred tax on pension contributions	77	34
	<hr/>	<hr/>
Tax on profit on ordinary activities	528	385
	<hr/>	<hr/>

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

5 TAXATION (continued)	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>
(b) Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,904	1,811
Group profit on ordinary activities multiplied by standard rate of corporation tax rate of 25.67% (2011 – 27.67%)	489	501
Expenses not deductible for tax purposes	4	25
Capital loss / (gain) on disposal of investments	24	(2)
Short term timing differences	38	7
Effect of pension contributions	(83)	(36)
Difference between depreciation and capital allowances	(8)	(15)
Untaxed income	(52)	(151)
Tax attributable to franked investment income	21	18
Current year losses	13	-
Utilisation of losses	-	(8)
Adjustments in respect of previous periods	(4)	-
Current tax charge for the year	442	339

6 TANGIBLE FIXED ASSETS	<u>Furniture</u> <u>fixtures and</u> <u>equipment</u> <u>£000</u>	<u>Web-site</u> <u>development</u> <u>costs</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Group and Company			
Cost			
At 1 st June 2011	1,459	944	2,403
Additions	172	340	512
Disposals	(75)	-	(75)
At 31 st May 2012	1,556	1,284	2,840
Depreciation			
At 1 st June 2011	653	329	982
Charge for the year	189	170	359
Disposals	(70)	-	(70)
At 31 st May 2012	772	499	1,271
Net book value			
As at 31 st May 2012	784	785	1,569
As at 31 st May 2011	806	615	1,421

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

7 FIXED ASSET INVESTMENTS **£000**

Company

Cost

1st June 2011 and 31st May 2012

591

Amounts provided

1st June 2011 and 31st May 2012

(578)

Net book value

1st June 2011 and 31st May 2012

13

a) Subsidiary undertakings

<u>Name</u>	<u>Principal country of operation</u>	<u>Country of incorporation or registration</u>	<u>Nature of business</u>	<u>Company holding %</u>	<u>Cost less provision £</u>
ECA International LLC	USA	USA	Advisory services	100	-
ECA Limited	-	UK	Dormant	100	-
ECA International Limited	Hong Kong	Hong Kong	Advisory services	100	-
ECA International Pty	Australia	Australia	Advisory services	100	-

b) Investment

The company's holding of £13,000 in the issued share capital of ECA Italia Srl represents 10%

8 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts owed by subsidiary undertakings	-	-	353	284
Fees outstanding	2,170	1,636	2,068	1,578
Other debtors	117	158	108	149
Prepayments	948	759	892	710
Corporation tax repayable	8	-	-	-
	<u>3,243</u>	<u>2,553</u>	<u>3,421</u>	<u>2,721</u>

Included within prepayments is an amount of £275,000 (2011 - £275,000) in respect of a rent deposit which is due after more than one year

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

9 INVESTMENTS

Group and Company	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
	<u>£000</u>	<u>value</u>	<u>£000</u>	<u>value</u>
		<u>£000</u>		<u>£000</u>
Listed on the London International Stock Exchange	-	-	-	-
Government securities	-	-	-	-
Other investments	4,264	5,449	4,224	5,709
	<hr/>	<hr/>	<hr/>	<hr/>
	4,264	5,449	4,224	5,709
Provision for diminution in value	(247)	-	(95)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,017	5,449	4,129	5,709
	<hr/>	<hr/>	<hr/>	<hr/>

10 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
a) Amounts falling due within one year:				
Trade creditors	752	481	747	471
Corporation tax	247	118	247	118
Other taxes and social security costs	440	446	422	430
Other creditors	140	139	134	132
Accruals	1,372	979	1,164	832
Fees received in advance	3,506	3,448	3,506	3,448
	<hr/>	<hr/>	<hr/>	<hr/>
	6,457	5,611	6,220	5,431
	<hr/>	<hr/>	<hr/>	<hr/>

Included within other creditors is an amount of £134,000 (2011 - £127,000) in respect of dividends which have yet to be paid to the shareholders, with £113,000 (2011 - £94,000) of this balance relating to dividends voted prior to the authorisation of the prior periods financial statements

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
b) Amounts falling due after more than one year:				
Members' loan account	6	6	6	6
Deferred tax (see note 11)	23	14	23	14
	<hr/>	<hr/>	<hr/>	<hr/>
	29	20	29	20
	<hr/>	<hr/>	<hr/>	<hr/>

Contributions by members held on loan account are interest-free and are repayable only on the winding-up of the company and, in such an event, will rank as deferred creditors

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

11 DEFERRED TAX

	<u>Group</u> £000	<u>Company</u> £000
1 st June 2011	14	14
Charge for the year	9	9
	<hr/>	<hr/>
31st May 2012	23	23
	<hr/>	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below

	<u>Group</u> <u>Un-provided</u> <u>2012</u> £000	<u>Un-provided</u> <u>2011</u> £000	<u>Group and</u> <u>Company</u> <u>Provided</u> <u>2012</u> £000	<u>Group and</u> <u>Company</u> <u>Provided</u> <u>2011</u> £000
Deferred tax asset arising from trading losses	(186)	(189)	-	-
Difference between accumulated depreciation and capital allowances	-	-	64	58
Short term timing differences	-	-	(41)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>
	(186)	(189)	23	14
	<hr/>	<hr/>	<hr/>	<hr/>

The un-provided deferred tax asset in the group will be recoverable if the group generates trading profits in the appropriate entities in due course. In addition the company has capital losses available for offset against future capital profits amounting to £289,000 (2011 - £190,000)

12 SHARE CAPITAL

	<u>2012</u> £	<u>2011</u> £
Group and Company		
Allotted, issued and fully paid		
Ordinary shares of £1 each	3,600	3,700
	<hr/>	<hr/>

During the year the company re-purchased and cancelled 100 ordinary shares for a net consideration of £43,780

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

13 RESERVES

	<u>Group</u> £000	<u>Company</u> £000
Profit and loss account		
1 st June 2011	6,551	6,780
Profit for the year	1,376	1,327
Loss on foreign currency translation	(142)	-
Equity dividends payable	(290)	(290)
Purchase of own shares	(44)	(44)
Actuarial loss on pension scheme	(1,772)	(1,772)
Deferred tax on actuarial loss	425	425
	<hr/>	<hr/>
31 st May 2012	<u>6,104</u>	<u>6,426</u>

The group's profit on ordinary activities after taxation for the year includes a profit of £1,327,000 (2011 - £1,386,000) attributable to the holding company

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2012</u> £000	<u>2011</u> £000
Group		
Opening shareholders' funds	6,557	5,919
Profit for the year	1,376	1,426
Equity dividends payable	(290)	(269)
Other recognised gains and losses relating to the year	(1,489)	(519)
Purchase of own shares	(44)	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>6,110</u>	<u>6,557</u>

15 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

	<u>2012</u> £000	<u>2011</u> £000
The remuneration of the directors was as follows		
Emoluments	325	314
Pension contributions	21	54
	<hr/>	<hr/>
The remuneration disclosed above includes the following in respect of the highest paid director		
Emoluments	249	238
Pension contributions	21	54
	<hr/>	<hr/>

The highest paid director's accrued annual benefit under the pension scheme at the year end was £NIL (2011 - £33,038)

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

15 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION (continued)

a) Pension

The number of directors who were members of the pension scheme was as follows

	<u>2012</u> Number	<u>2011</u> Number
Defined benefit scheme	<u>1</u>	<u>1</u>

b) Employee numbers

The average number of persons employed by the group during the year, including the executive director, was

	<u>2012</u> Number	<u>2011</u> Number
Administration	8	9
Services	83	80
	<u>91</u>	<u>89</u>

c) Staff costs, including directors' emoluments, were:

	<u>2012</u> £000	<u>2011</u> £000
Salaries	4,270	4,258
Social security costs	454	425
Pension costs	343	600
Medical and health costs	82	95
	<u>5,149</u>	<u>5,378</u>

16 DIVIDENDS PAYABLE

	<u>2012</u> £000	<u>2011</u> £000
Dividends paid during the year	177	175
Year end dividend creditor	113	94
	<u>290</u>	<u>269</u>

The directors are recommending a dividend of £80 61 (2011 - £80 61) per ordinary share, totaling £290,196 (2011 - £290,196) in aggregate

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

17 FUTURE COMMITMENTS

At 31 May 2012 the group had annual commitments under non-cancellable operating leases as follows

	<u>2012</u>		<u>2011</u>	
	<u>Land and buildings</u> £000	<u>Other</u> £000	<u>Land and buildings</u> £000	<u>Other</u> £000
Expiry date				
Within one year	-	-	43	-
Between one and two years	58	-	-	-
Between two and five years	-	3	-	3
After five years	469	-	469	-
	<hr/>	<hr/>	<hr/>	<hr/>

18 PENSIONS

The company made contributions to the defined contribution scheme that it operates of £343,000 (2011 - £527,000) and it also sponsors The Employment Conditions Abroad Limited Retirement Benefits Scheme. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2009. The 2012 triennial valuation is currently being performed and it is expected that the valuation will be finalised before the subsequent accounting year end. The scheme has been updated on an approximate basis to 31 May 2012.

The contributions made by the employer over the financial year to the defined benefit scheme have been £250,000 (2011 - £250,000). The best estimate of contributions to be paid by the company to the scheme for the period beginning after 31 May 2012 is £250,000 (2011 - £250,000).

The defined benefit pension scheme is closed to future accrual and the company are no longer able to recognise a defined benefit pension asset, should one arise, due to the surplus not being recognisable under FRS 17.

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

18 PENSIONS (continued)

The principal assumptions used were

	<u>2012</u> % pa	<u>2011</u> % pa	<u>2010</u> % pa
Inflation	2.70	3 30	3 10
Salary increases	n/a	4 20	4 00
Rate of discount	4.20	5 30	5 50
Allowance for pension in payment increases of RPI or 5% pa if less	2.70	3 30	3 10
Allowance for revaluation of deferred pensions of RPI or 5% pa if less	2.70	3 30	3 10
Allowance for commutation of pension for cash at retirement (% of post A day)	80%	80%	80%

The mortality assumptions adopted at 31 May 2012 imply the following life expectancies at age 65

Male currently age 45	22.3
Female currently age 45	24.5
Male currently age 65	21.3
Female currently age 65	23.6

Present values of scheme liabilities, fair value of assets and surplus

	<u>2012</u> £000	<u>2011</u> £000	<u>2010</u> £000
Fair value of scheme assets	10,325	9,744	9,426
Present value of scheme liabilities	(11,775)	(9,311)	(8,762)
Pension (deficit) / surplus	(1,450)	433	664
Unrecognisable surplus	-	(433)	-
Deferred tax	348	-	(186)
Net pension (deficit) / surplus to be recognised	(1,102)	-	478

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	<u>2012</u> £000	<u>2011</u> £000
Scheme liabilities at start of period	9,311	8,762
Current service cost	-	200
Interest cost	492	462
Gains on curtailments	-	(465)
Actuarial losses	2,067	810
Benefits paid, death in service insurance premiums	(95)	(458)
Scheme liabilities at end of period	11,775	9,311

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

18 PENSIONS (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets

	<u>2012</u> £000	<u>2011</u> £000
Fair value of scheme assets at start of period	9,744	9,426
Expected return on scheme assets	564	512
Actuarial (losses) / gains	(138)	15
Contributions by employer	250	250
Benefits paid, death in service insurance premiums	(95)	(459)
	<hr/>	<hr/>
Fair value of scheme assets at end of year	10,325	9,744
	<hr/>	<hr/>

The actual return on the scheme assets over the period ended 31 May 2012 was £426,000 (2011 - £527,000)

Total gain / (expense) recognised in profit and loss account

	<u>2012</u> £000	<u>2011</u> £000
Current service cost	-	(200)
Interest cost	(492)	(462)
Gains on curtailments	-	465
Expected return on scheme assets	564	512
Unrecognisable surplus	-	(433)
	<hr/>	<hr/>
Total gain / (expense) recognised in profit and loss account	72	(118)
	<hr/>	<hr/>

Statement of total recognised gains and losses

	<u>2012</u> £000	<u>2011</u> £000
Difference between expected and actual return on scheme assets		
Amount (loss) / gain	(138)	15
Experience gains and losses arising on the scheme liabilities		
Amount loss	(183)	(71)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities		
Amount loss	(1,884)	(740)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognised		
Amount gain	433	-
	<hr/>	<hr/>
Total amount recognised in statement of total recognised gains and losses	(1,772)	(796)
	<hr/>	<hr/>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a loss of £4,567,000 (2011 - £2,795,000)

EMPLOYMENT CONDITIONS ABROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2012

18 PENSIONS (continued)

The assets of the scheme were:

	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Equities	2,209	1,771	740
Bonds	-	-	-
Cash and other	-	242	815
Insurance policy	8,116	7,731	7,871
	<u>10,325</u>	<u>9,744</u>	<u>9,426</u>

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the company

Expected long term rates of return

The long term expected rate of return on cash is determined by reference to long term expected rates at the balance sheet dates. The long term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance. The long term expected return on insurance policy is based on the target asset allocation of the policy.

The expected long term rates of return applicable at the start of each period are as follows

	<u>2012</u> <u>% pa</u>	<u>2011</u> <u>% pa</u>
Equities	7.00	7.00
Bonds	-	4.90
Cash	3.90	4.00
Insurance policy	5.50	5.50
Overall for scheme	5.70	5.50

	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>	<u>2008</u> <u>£000</u>
Fair value of scheme assets	10,325	9,744	9,426	8,120	7,405
Present value of scheme liabilities	11,775	9,311	8,762	6,812	6,945
(Deficit) / surplus in scheme	(1,450)	433	664	1,308	460
Experience adjustment on scheme liabilities	(183)	(71)	378	(3)	16
Experience adjustment on scheme assets	(138)	15	(105)	(144)	(127)

19 FINANCIAL COMMITMENTS

At the balance sheet date the group had entered into a foreign currency Euro forward contract. The fair value of the contract, which is not recognised in these financial statements, is £NIL (2011 - £29,000).