

HARROW SCHOOL ENTERPRISES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 AUGUST 2009

COMPANIES HOUSE

Company Number 1617359



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Directors

R C Compton (resigned 1/9/08)
B J Lenon
R H Porter (resigned 1/9/08)
V L Sankey
N A Shryane
W G S Massey (appointed 1/9/08)
S P Berry (appointed 1/9/08)

Company Secretary N A Shryane

Registered Office

5 High Street
Harrow-on-the-Hill
Middlesex HA1 3HP

Banker

National Westminster Bank plc
Harrow Town Centre Branch
315 Station Road
Harrow
Middlesex HA1 2AD

Auditors

Littlejohn LLP
Statutory Auditors
1 Westferry Circus
Canary Wharf
London E14 4HD

Solicitors

Pemberton Greenish
45 Pont Street
London SW1X 0BX

Companies House number: 01617359

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 August 2009

Activities

The principal activities of the Company continue to be the letting of Harrow School's premises and facilities and the licensing of its name. The commercial activities of the sports complex at The John Lyon School are also facilitated by Harrow School Enterprises Limited. During the year, the Company continued to receive technical service fees and royalties from an independent company registered in Thailand, Harrow Asia Limited, in respect of an international school in Thailand known as Harrow International School and technical service fees and royalties from an independent company registered in China, Beijing Harrow Education Service Limited, in respect of an international school in China known as Harrow International School, Beijing.

Results and Dividends

The trading results of the Company are recorded on page 7 of the Financial Statements

Review of the Business and Future Developments

In 2008/09 the Company generated a profit after taxation, but before making a qualifying donation to Harrow School, of £739,236 (2007/08 - £560,545) continuing the upward trend of the previous year

The Harrow International School in Thailand continued to be the primary source of profit and, together with the income from the newer school in Beijing, produced a combined pre-tax profit of £669,998 (2007/08 - £502,695), these profits reported in sterling reflect the falling value of the pound as well as improved trading results. The John Lyon School's Sports Centre showed a profit of £22,523 (2007/08 profit - £231) and its commercial lettings produced a net income of £10,974 (2007/08 - £nil) following the appointment of a new commercial manager at the site. The overall profit of £139,959 (2007/08 - £134,643) from the Company's other activities was encouraging in the current economic circumstances. The amount payable as a qualifying charitable donation under Gift Aid to Harrow School amounted to £738,236 (2007/08 - £543,545) leaving a profit of £1,000 (2007/08 - profit £17,000) retained by the Company to finance its working capital requirements. Retained profits, excluding the defined benefit pension scheme liability, stand at £110,000 (2008 - £110,000)

Fixed Assets

Details of tangible fixed assets are set out in note 7 to the Financial Statements

Directors

The Directors during the year are shown on page 2

None of the Directors had a beneficial interest in the share capital of the Company at 1 September 2008 or 31 August 2009

Charitable and Political Contributions

During the year the Company made no contributions to charitable organisations other than the amounts payable to the Keepers and Governors of the Free Grammar School of John Lyon as a qualifying donation under Gift Aid. The Company made no donations to political organisations

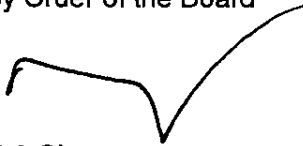
Relevant Audit Information

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps they might reasonably have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint Littlejohn LLP will be proposed at the next Annual General Meeting

By Order of the Board

A handwritten signature in black ink, appearing to read 'N A Shryane', is written over the printed name.

N A Shryane

Secretary

11 February 2010

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 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 judgments and accounting estimates that are reasonable and prudent,
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the shareholder of Harrow School Enterprises Limited

We have audited the Financial Statements of Harrow School Enterprises Limited for the year ended 31 August 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 16. 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 shareholder, 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 shareholder those matters we are required to state to it 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 shareholder, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the 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 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 of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

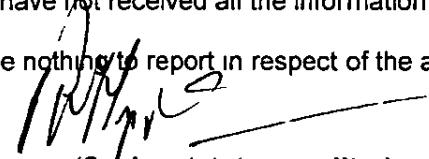
In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the above matters.


Paul Hopper (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

11 February

2010

HARROW SCHOOL ENTERPRISES LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 August 2009

	Note	2008/09 £	2007/08 £
Turnover	1	1,697,268	1,455,181
Cost of sales		(539,932)	(560,813)
		<hr/>	<hr/>
Gross Profit		1,157,336	894,368
Administration expenses		(329,412)	(287,184)
		<hr/>	<hr/>
Operating Profit	3	827,924	607,184
Interest receivable	4	19,536	32,395
Interest payable	5	(6)	(10)
Other finance cost	12	(4,000)	(2,000)
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation	1	843,454	637,569
Qualifying donation to Harrow School		(738,236)	(543,545)
		<hr/>	<hr/>
		105,218	94,024
Tax on profit on ordinary activities	6	(104,218)	(77,024)
		<hr/>	<hr/>
Profit for the Financial Year		£1,000	£17,000
		<hr/>	<hr/>

Turnover and operating profit are from continuing activities

The accounting policies and notes on pages 10 to 17 form part of these Financial Statements

HARROW SCHOOL ENTERPRISES LIMITED**STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES
Year ended 31 August 2009**

	2008/09 £	2007/08 £
Profit for the financial year	1,000	17,000
Actuarial loss on pension scheme	(1,000)	(17,000)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	-	-
	<hr/>	<hr/>
Total recognised gains and losses since last annual report	£-	£-
	<hr/>	<hr/>

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents

The accounting policies and notes on pages 10 to 17 form part of these Financial Statements

HARROW SCHOOL ENTERPRISES LIMITED
Company Number 01617359


BALANCE SHEET
At 31 August 2009

	Note	2009 £	£	2008 £	£
Fixed Assets					
Tangible assets	7		18,830		19,450
Current Assets					
Stocks	8	68,642		74,789	
Debtors and prepayments	9	1,084,745		875,243	
Cash at bank and in hand		14,336		18,186	
		<u>1,167,723</u>		<u>968,218</u>	
Creditors: amounts falling due within one year	10	<u>(1,076,551)</u>		<u>(877,666)</u>	
Net Current Assets			<u>91,172</u>		<u>90,552</u>
Net Assets excluding pension liability			110,002		110,002
Defined benefit pension scheme liability	12		<u>(60,000)</u>		<u>(60,000)</u>
Net Assets including pension liability			<u>£50,002</u>		<u>£50,002</u>
Represented by:					
Called-up share capital	11		2		2
Profit and Loss Account	13		<u>50,000</u>		<u>50,000</u>
Shareholder's Funds	14		<u>£50,002</u>		<u>£50,002</u>

Approved and authorised for issue by the Board on 11 February 2010 and signed on its behalf by

N A Shryane

W G S Massey

 Directors

The accounting policies and notes on pages 10 to 17 form part of these Financial Statements

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable United Kingdom Financial Reporting and Accounting Standards. The Company (as a wholly owned subsidiary and a small company) takes advantage of the exemptions given by Financial Reporting Standard (FRS) 1 – Cashflow Statements and FRS 8 – Related Party Disclosures and does not prepare a cashflow statement or disclose related party transactions with other group entities.

Turnover

Turnover represents amounts receivable from the letting of Harrow School's premises and facilities, royalties and technical service fees from the two Harrow International Schools, franchise fees, sales of books and stationery and income from the commercial activities of the sports complex at The John Lyon School.

Income from the letting of premises and facilities is recognised in the period in which those premises and facilities are used. Royalty and technical service fee income from the two Harrow International Schools, Bangkok and Beijing, is recognised in accordance with the terms of the agreements with Harrow Asia Limited and Beijing Harrow Education Service Limited. Royalties are calculated in local currency based on income arising for each school term and converted to Sterling in accordance with the agreements. Technical service fees are based on Sterling. All amounts are invoiced and paid in Sterling. Income from the bookshop and the sports complex is recognised at the point of sale and the date of the activity respectively. Franchise fees are recognised in the same period as attendance by the student on the associated course and calculated in accordance with the terms of the underlying franchise agreements.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are as follows:

Tours Museum and Shop Improvements	-	10 years
Plant and Machinery	-	5 years
Furniture and Equipment	-	20 years
Computers	-	4 years
Motor Vehicles	-	4 years

Stocks

Stocks are valued at the lower of cost and net realisable value.

Pension Schemes**Defined contribution scheme**

The pension cost charged to the profit and loss account represents the contributions payable by the Company under the rules of the Scheme.

Defined benefit scheme

The Company participates in a defined benefit pension scheme that has been closed to new entrants. The funds of the Scheme are administered by Trustees and are separate from the Company. An independent actuary completes a full actuarial valuation every three years and in accordance with the actuary's recommendations annual contributions are paid to the Scheme so as to secure the benefits set out in the rules.

In accordance with FRS 17, the following elements are charged to the Profit and Loss Account:

- i the service costs of pension provision relating to the year, together with the cost of any benefits relating to past service (allocated to staff costs),

Pension Schemes (continued)

- ii the net finance cost represented by a charge equal to the increase in the present value of the Scheme liabilities and a credit equivalent to the long term expected return on assets (allocated to finance costs), and
- iii the actuarial gain or loss on the Scheme assets and liabilities (allocated to other recognised gains and losses)

The difference between the market value of the assets of the Scheme and the present value of accrued pension liabilities is shown as a liability on the Balance Sheet

Investments in Managed Funds are valued at the bid price quoted by the investment manager at the date of the Net Assets Statement

1	Turnover and Pre-Tax Profit	2008/09	2007/08	2008/09	2007/08
				Profit	
		Turnover		before taxation	
	Letting of school premises, facilities and equipment, franchise fees and tours	589,883	603,376	130,314	127,292
	Harrow International Schools	696,440	516,495	669,998	502,695
	Sales of books, stationery and confectionery	137,664	137,090	9,645	7,351
	Lettings at The John Lyon School	11,044	-	10,974	-
	The John Lyon School Sports Complex	262,237	198,220	22,523	231
		<hr/>	<hr/>	<hr/>	<hr/>
	Continuing activities	£1,697,268	£1,455,181	£843,454	£637,569
		<hr/>	<hr/>	<hr/>	<hr/>

Except for the amounts in relation to the Harrow International Schools which operate in Thailand and China, the turnover and profit before taxation are wholly attributable to operations in the United Kingdom

2	Employees	2008/09	2007/08
	Staff costs are included in.		
	Cost of sales	234,861	243,193
	Administration expenses	193,115	172,643
		<hr/>	<hr/>
		£427,976	£415,836
		<hr/>	<hr/>
	Wages and salaries	404,864	390,922
	Social security costs	12,665	11,084
	Other pension costs		
	Harrow Support Staff Pension Scheme	7,097	9,000
	Lyon Stakeholder Scheme	2,171	1,557
	Death in Service Benefit	1,179	972
	Pension Protection Fund Levy	-	2,301
		<hr/>	<hr/>
		£427,976	£415,836
		<hr/>	<hr/>

Included within staff costs is £257,107 (2007/08 - £257,693) recharged from Harrow School and The John Lyon School

Average monthly number of direct employees during the year	No	No
Shop, office and management	5	5
Sports centre staff	2	2
	<hr/>	<hr/>
	7	7
	<hr/>	<hr/>
Other Employees		

11 employees (2007/08 - 9) worked during the year on a part time or occasional basis

None of the Directors received any remuneration in respect of their services to the Company as Directors (2007/08 - £Nil)

3 Operating Profit	2008/09	2007/08
This is stated after charging		
Auditors' remuneration - audit	£ 11,657	£ 12,340
- other services	£ 1,610	£ 2,596
Depreciation	£ 4,032	£ 16,686
	<hr/>	<hr/>
4 Interest Receivable		
Treasury Accounts with The Keepers and Governors of The Free Grammar School of John Lyon	19,514	32,395
Other interest receivable	22	-
	<hr/>	<hr/>
	£19,536	£32,395
	<hr/>	<hr/>
5 Interest Payable		
Bank interest	£6	£10
	<hr/>	<hr/>
6 Taxation		
Analysis of charge in year		
Thai withholding tax	79,289	63,972
Chinese withholding tax	24,929	13,052
	<hr/>	<hr/>
Tax on profit on ordinary activities	£104,218	£77,024
	<hr/>	<hr/>

6 Taxation (continued)**Factors affecting tax charge for year**

The tax assessed for the year is higher than the small companies' rate of corporation tax in the UK (21%). The differences are explained below

	2008/09	2007/08
Profit on ordinary activities before tax (after Qualifying Donation)	£105,218	£94,024
Profit on ordinary activities multiplied by the small companies' rate of tax in the UK of 21% (2007/08 – 21%)	22,096	19,745
Effects of		
Permanent differences	1,610	-
Depreciation in excess of capital allowances	620	2,402
Higher tax rate for first 7 months of the year	-	731
Marginal relief	-	(2,069)
Double taxation relief	(24,326)	(20,809)
Thai withholding tax	79,289	63,972
Chinese withholding tax	24,929	13,052
Current tax charge for year	£104,218	£77,024

7 Tangible Fixed Assets

Cost	Shop Improvements	Tours Museum	Motor Vehicle	Plant and Machinery	Computers	Furniture and Equipment	Total
At beginning of the year	10,086	114,369	6,900	6,812	6,472	13,508	158,147
Additions	-	-	-	-	3,412	-	3,412
At end of year	10,086	114,369	6,900	6,812	9,884	13,508	161,559
Depreciation							
At beginning of year	4,036	114,369	6,900	2,610	5,584	5,198	138,697
Provided during the year	1,009	-	-	1,050	1,297	676	4,032
At end of year	5,045	114,369	6,900	3,660	6,881	5,874	142,729
Net Book Value							
At end of year	£5,041	-	-	£3,152	£3,003	£7,634	£18,830
At beginning of year	£6,050	-	-	£4,202	£888	£8,310	£19,450

8 Stocks	2009	2008
Finished goods and goods for resale		
Letting activities	6,071	7,786
School Shop	52,779	56,887
Tours	9,792	10,116
	<hr/>	<hr/>
	£68,642	£74,789
	<hr/>	<hr/>
9 Debtors		
Trade debtors	238,090	177,579
Amounts due from the Keepers and Governors of The Free Grammar School of John Lyon - Treasury balances	826,969	691,069
Prepayments and accrued income	19,686	6,595
	<hr/>	<hr/>
	£1,084,745	£875,243
	<hr/>	<hr/>
10 Creditors: amounts falling due within one year		
Trade creditors	17,703	10,852
Other taxes and social security	35,671	38,063
Accruals and deferred income	176,890	158,614
Other creditors	1,071	3,034
Amounts due to The Keepers and Governors of The Free Grammar School of John Lyon	17,474	30,892
Amounts due to The John Lyon School	89,506	92,666
Qualifying donation due to The Keepers and Governors of The Free Grammar School of John Lyon	738,236	543,545
	<hr/>	<hr/>
	£1,076,551	£877,666
	<hr/>	<hr/>

Interest is charged at 1% over the National Westminster Bank base rate on balances overdrawn on the Treasury accounts with The Keepers and Governors of The Free Grammar School of John Lyon. Other amounts due to The Keepers and Governors are current account transactions settled periodically by the transfer of funds to the School, these balances are interest free. A deed of mortgage was created on 4 December 1999 by Harrow School Enterprises Limited securing all monies due or to become due from the Company to the Keepers and Governors of The Free Grammar School of John Lyon against the assets of the Company.

11 Share Capital	2009	2008	2009	2008
			Allotted, called-up and fully paid	
	Authorised			
Ordinary shares of £1 each	£100	£100	£2	£2
	<hr/>	<hr/>	<hr/>	<hr/>

12 Pension Commitments

	2009	2008
Defined Benefit pension scheme liability	£60,000	£60,000
	<hr/>	<hr/>

i) Defined benefit scheme

A scheme for eligible non-teaching staff, who are all employed by the Keepers and Governors but work on the activities of either Harrow School, The John Lyon School, Harrow School Enterprises Limited, The Harrow Development Trust or the Harrow Association, provides benefits based on final pensionable pay. Salary and related costs, including pension costs, are allocated to the relevant schools or entities. The assets of the Scheme are held separately from those of the Company, being invested with an insurance company (AXA Sun Life) and Cazenove Capital Management Limited. Contributions to the Scheme are charged to the Profit and Loss account so as to spread the cost of pensions over employees' working lives.

The Scheme was closed to new entrants on 13 June 2003.

Actuarial valuations are carried out triennially for funding purposes, using the attained age method, the most recently available being dated 1 September 2006. The main assumptions were an expected return on investments of 6.9% p.a. before retirement and average salary growth of 4.5% p.a. up to normal retirement age. After retirement, an interest rate of 5% p.a. was applied with pension increases of 2.8%, 3.0% and 5% applicable to different elements of pension.

The Scheme's assets were valued as at 1 September 2006 at £9,677,000 (including the value of annuities already purchased) representing a funding level of 84%. The Trustees resolved to increase the funding level over a 10 year period. As a consequence a lump sum payment of £77,000 was made during the year, the Governors committed to annual deficit recovery payments of £17,500 per month until 31 August 2016 and, effective from 1 September 2007, employee contributions increased to 7% and employer contributions to 12%.

The pension contributions payable by the Company for the year were £12,097 (2007/08 - £14,213).

Financial Reporting Standard 17 – Retirement Benefits

An annual actuarial valuation is carried out for the purpose of compliance with FRS 17 and was updated to 31 August 2009 by an independent qualified actuary. As required by FRS 17, the defined benefit liabilities have been measured using the attained age method and both the assets and liabilities include the value of pensions in payment, which are secured mainly with insured annuities.

Full disclosure, in accordance with FRS 17, is made in the financial statements of the employer undertaking, the Keepers and Governors of The Free Grammar School of John Lyon.

12 Pension Commitments (continued)**ii) Defined contribution scheme**

A defined contribution scheme known as the Lyon Stakeholder Pension Scheme has been set up for eligible employees. The maximum contribution payable by the employer is 7.5% and the charge for the year was £2,171 (2007/08 - £1,557)

13 Profit and Loss Account	2008/09	2007/08
At beginning of year	50,000	50,000
Retained profit for the financial year	1,000	17,000
Actuarial loss on pension scheme	(1,000)	(17,000)
At end of year	50,000	50,000
Pension liability	60,000	60,000
Profit and loss reserve at end of year excluding pension liability	£110,000	£110,000

14 Reconciliation of Movements in Shareholders' Funds

Opening shareholders' funds as previously reported	50,002	50,002
Profit for the financial year	1,000	17,000
Actuarial loss on pension scheme	(1,000)	(17,000)
Closing shareholders' funds	£50,002	£50,002

15 Parent Undertaking

The Company is a wholly owned subsidiary of The Keepers and Governors of The Free Grammar School of John Lyon. Copies of the financial statements of the parent undertaking are filed with the Charity Commission, PO Box 922, Liverpool, L69 3WP

16 Related Party Transactions

As the Company is a wholly owned subsidiary undertaking and the consolidated financial statements which include the results of the Company are publicly available, the Company has taken advantage of the FRS 8 exemption from disclosing transactions with group undertakings