

**Peper Harow (South) Limited**  
(a company limited by guarantee)

Report of the Council of Management  
and Financial Statements

Year Ended

31 March 2007



BDO Stoy Hayward  
CHARTERED ACCOUNTANTS

# **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

## **Annual report and financial statements for the year ended 31 March 2007**

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## **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

### **Report of the Council of Management for the year ended 31 March 2007**

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#### **Report of the Management Council**

The Council Members, who are also directors of the charitable company for the purposes of the Companies Act 1985, present their annual report and the audited financial statements for the year ended 31<sup>st</sup> March 2007. The Council Members have adopted the provisions of the Statement of Recommended Practice (SORP 2005) in preparing the annual report and financial statements

#### **Reference and Administrative details of the Charity, its Council Members and Advisers**

Charity name	Peper Harow (South) Ltd
Working name	Childhood First
Charity Registration number:	286909
Company Registration number.	3547839
Registered Office and operational address	Station House 150 Waterloo Road London SE1 8SB

#### **Management Council**

The Council Members (directors of the company) during the year were

Mr A H Isaacs  
Mr J Pethick  
Mrs E Eskenzi  
Ms E M Szwed

Company Secretary

Mrs E A Hunter (resigned 31<sup>st</sup> December 2006)  
Mr M C O'Kelly (appointed 1<sup>st</sup> January 2007)

Treasurer

Mr S J M Lyon

#### **Auditors**

BDO Stoy Hayward LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

#### **Bankers**

Coutts & Co, 440 Strand, London WC2R 0QS  
HSBC Bank plc, 83 Sidcup High Street, Sidcup, Kent, DA14 6DN

#### **Solicitors**

Stephenson Harwood, 1 St Paul's Churchyard, London, EC4M 8SH

## **PEPER HAROW (SOUTH) LIMITED**

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### **Report of the Council of Management for the year ended 31 March 2007**

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Fuller details, including notes on the reserves policy, are given in the report and consolidated financial statements of the parent company, Peper Harow Foundation.

#### **Structure, Governance and Management**

Peper Harow (South) Limited was incorporated as a company limited by guarantee under company number 3547839 on 17 April 1998 under the name Startbeam Limited. It changed its name to Peper Harow (South) Limited on 26 February 1999. It is also registered as a charity (number 286909) under the umbrella of Peper Harow Foundation, its sole member. It is governed by Memorandum and Articles of Association.

Peper Harow Foundation appoints the members of the Management Council. Management is delegated to the Community Director, who reports to the Chief Executive of Peper Harow Foundation.

#### **Risk Management**

The Board of Peper Harow Foundation has assessed the major risks to which the charity is exposed, in the context of the overall organisation, in particular those related to the operations and finances, and the Trustees believe that systems are in place to mitigate our exposure to the major risks.

Major risks and the actions which are taken to mitigate these risks include.

- Shortfall in statutory income. The fees have been reviewed and are based on breaking even at average occupancy levels. Where necessary these fees have been renegotiated with Local Authorities. There is also a greater emphasis in better marketing, both in terms of advertising and direct contact with Local Authorities, to ensure a steady stream of referrals and adequate numbers of children at any time.
- Recruitment and retention of appropriate skilled staff. Terms and conditions have been reviewed and amended, and a system of appraisals and training is in place.
- Non-compliance with regulations. Policies are in place which ensure compliance with the Children's Homes regulations, with monthly inspections. Systems are in place to ensure recommendations from OFSTED (formerly CSCI) reports are acted on in a timely way.
- Residential properties continue to meet the needs of the children and young people. Refurbishment programmes are in place and the suitability of the size of establishments are considered.

#### **Objects and Activities**

The aims of Peper Harow (South) Limited are

- To promote and further the care, treatment, education and rehabilitation of children and young people who are psychologically and emotionally disturbed,
- To provide for the rehabilitation and care of such children by the provision of fostering and family support services.

#### **Activities**

Peper Harow (South) Limited runs a residential therapeutic centre at Greenfields House in Kent, for up to 10 children aged 5 to 12, and Greenfields School, where the children from Greenfields House and up to 5 day pupils receive an education.

## **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

### **Report of the Council of Management for the year ended 31 March 2007 (continued)**

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#### **Achievements and performance**

Greenfields House and School continued to provide a high level of support for the children placed with them. During the summer several children left as they had reached the maximum age. Unfortunately there have been low levels of referrals and both the house and school operated below capacity for much of the year.

#### **Financial review**

The charitable company made an operating deficit of £57,660 (2006 – surplus of £105,123) for the year. This was due to the low numbers of children at the house and school for the latter half of the year.

The charitable company continues to receive the support of the parent charitable company, Peper Harow Foundation, and accordingly the accounts are drawn up on a going concern basis.

#### **The future**

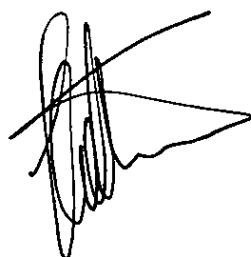
Peper Harow (South) Limited will continue to provide residential therapeutic care and education.

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Charitable Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

#### **On behalf of the Council of Management**



Jan Pethick  
Council Member

19<sup>th</sup> September 2007

## **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

### **Statement of Responsibilities of the Members of the Council**

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The Members of the Council (who are the directors of the company) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Council Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit of the charitable company for that period. In preparing these financial statements, the Council Members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation

The Members of the Council are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 1985 and the . They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities

## **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

### **Report of the independent auditors**

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#### **To the Members of the Council of Peper Harow (South) Limited**

We have audited the financial statements of Peper Harow (South) Limited for the year ended 31 March 2007 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of the Members of the Council and auditors*

The Members of the Council' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in Statement of Responsibilities of the Members of the Council

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Council of Managements' report is consistent with those financial statements. We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and other transactions is not disclosed.

We read the Report of the Members of the Council and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Members of the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

**PEPER HAROW (SOUTH) LIMITED**

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**Report of the independent auditors (*Continued*)**

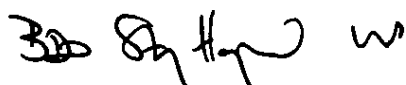
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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

*Opinion*

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2007 and of the incoming resources and application of resources, including its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Council of Management is consistent with the financial statements



**BDO STOY HAYWARD LLP**

*Chartered Accountants and*

*Registered Auditors*

Gatwick

Date: 5 October 2007

**PEPER HAROW (SOUTH) LIMITED**

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**Statement of financial activities for the year ended 31 March 2007**

	<b>Note</b>	<b>Unrestricted funds 2007 £</b>	<b>Restricted funds 2007 £</b>	<b>Total funds 2007 £</b>	<b>Total funds 2006 £</b>
<b>Income and expenditure</b>					
<b>Incoming resources</b>					
Incoming resources from generated funds:					
Voluntary income		-	33,021	33,021	28,525
Bank interest		137	-	137	448
Incoming resources from charitable activities					
Local authority fees		1,241,584	-	1,241,584	1,385,033
Other incoming resources		9,008	-	9,008	12,044
		<u>1,250,729</u>	<u>33,021</u>	<u>1,283,750</u>	<u>1,426,050</u>
<b>Total incoming resources</b>					
<b>Resources expended</b>					
Costs of generating funds		-	-	-	-
Charitable activities					
Provision of services to children		1,309,106	28,580	1,337,686	1,318,628
Governance costs		3,724	-	3,724	2,297
		<u>1,312,830</u>	<u>28,580</u>	<u>1,341,410</u>	<u>1,320,925</u>
<b>Total resources expended</b>					
<b>Net (outgoing)/incoming resources</b>					
	3	(62,101)	4,441	(57,660)	105,125
Balance brought forward at 1 April 2006		(352,792)	10,530	(342,642)	(447,387)
Balance carried forward at 31 March 2007		<u>(414,893)</u>	<u>14,971</u>	<u>(399,922)</u>	<u>(342,262)</u>

No statement of total recognised gains and losses has been produced, as all reserve movements are shown in the statement of financial activities

All transactions are derived from continuing operations

The notes on pages 8 to 16 form part of these financial statements.

**PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

**Balance sheet at 31 March 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2007 £</b>	<b>2006 £</b>	<b>2006 £</b>
<b>Fixed assets</b>					
Tangible assets	5		14,971		10,530
<b>Current assets</b>					
Debtors	6	217,263		215,784	
Cash at bank and in hand		61,113		135,917	
		<u>278,376</u>		<u>351,701</u>	
<b>Creditors: amounts falling due within one year</b>	7	<u>(693,269)</u>		<u>(704,493)</u>	
<b>Net current liabilities</b>			<u>(414,893)</u>		<u>(352,792)</u>
<b>Net liabilities</b>			<u>(399,922)</u>		<u>(342,262)</u>
<b>Capital and reserves</b>					
Unrestricted funds			(414,893)		(352,792)
Restricted funds			14,971		10,530
			<u>(399,922)</u>		<u>(342,262)</u>
	11				

The financial statements were approved and authorised for issue by the Council of Management on 19<sup>th</sup> September 2007 and were signed on its behalf by



Jan Pethick  
**Council member**

The notes on pages 8 to 16 form part of these financial statements

## **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

### **Notes forming part of the financial statements for the year ended 31 March 2007**

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#### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the charitable company's financial statements.

##### **a) Basis of preparation**

The financial statements have been prepared under the historic cost convention and in accordance with the Charities Commission Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005, and applicable accounting standards.

These financial statements have been prepared on the basis that the charitable company can continue as a going concern. For this basis to apply, the charitable company is dependent upon the continued support that its parent company has undertaken to provide for the foreseeable future

##### **b) Fixed assets and depreciation**

Fixed assets are stated at cost less depreciation. Items costing less than £1,000 are not capitalised. Depreciation is provided to write off the cost of each asset over its estimated useful economic life by equal annual instalments as follows.

Furniture, fittings, tools and equipment	- 20% per annum
Motor vehicles	- 33% per annum

##### **c) Income and expenses**

Expenses, rental income and fees are accounted for on an accruals basis. Donations are accounted for when received. Legacies are accounted for when received or if, before receipt, there is sufficient evidence as to the certainty of the receipt and value of the legacy.

##### **d) Allocation of expenses**

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company.

##### **e) Funds.**

- Unrestricted funds  
These represent funds which can be expended as the trustees see fit, in accordance with the charitable objects of the group.
- Restricted income funds  
These represent income received which can only be expended for the purpose specified by the donor.

## **PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

### **Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)**

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#### **1 Accounting policies (continued)**

##### **f) Leases**

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of financial activities.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of financial activities over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of financial activities on a straight-line basis over the term of the lease.

##### **g) Pension costs**

- A number of employees belong to the Teacher's Superannuation Scheme, which is a defined benefit scheme. As it is not possible to identify the charitable company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, contributions are charged to the income and expenditure account as they are paid.
- Employees who are not eligible to belong to the above scheme may belong to a group personal pension plan operated by the charitable company's parent undertaking. The assets of this plan are held separately from those of the charitable company in an independently administered fund. The amount charged to the income and expenditure account represents the contribution payable to the plan in respect of the accounting period.

##### **h) Cash flow statement**

Under the Charities Commission Statement of Recommended Practice and the Companies Act, the charitable company is exempt from the requirement to prepare a cash flow statement on the grounds that it is consolidated in the financial statements of its ultimate parent charitable company.

**PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****2 Analysis of total resources expended**

Costs are allocated directly to the provision of services to children or to governance costs.

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Provision of services to children</b>		
Staff costs	826,365	796,519
Consultants	96,064	96,092
Travel costs	10,431	13,403
Administration	15,802	22,208
Premises	130,025	127,242
Household	12,887	7,161
Provisions	21,857	19,784
Education	10,606	10,360
Personal care	11,996	11,192
Social activities	19,168	14,785
Other costs	6,818	4,480
Depreciation	10,118	5,265
Interest payable	79	-
Bank charges	320	341
Insurance, legal	22,809	24,136
Contribution to parent company costs	142,341	165,660
	<hr/>	<hr/>
<b>Total cost of provision of services to children</b>	1,337,686	1,318,628
	<hr/>	<hr/>
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Governance costs</b>		
Audit fee	3,274	2,297
	<hr/>	<hr/>
<b>Total governance costs</b>	3,274	2,297
	<hr/>	<hr/>
<b>Total resources expended</b>	1,341,410	1,320,925
	<hr/>	<hr/>

**PEPER HAROW (SOUTH) LIMITED**

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**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****3 Net (outgoing)/incoming resources**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Net (outgoing)/incoming resources for the year are stated after charging:		
Auditor's remuneration	3,274	2,297
Depreciation of tangible fixed assets	10,118	5,265
Rentals payable under operating leases		
Land and buildings	60,000	60,000
Other	2,990	2,990
Trustees professional indemnity insurance	2,418	1,904
	<u>          </u>	<u>          </u>

**4 Staff numbers and costs**

The average number of persons employed by the charitable company during the year was 35 (2006 36)

The aggregate payroll costs of these persons were as follows.

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Wages and salaries	677,182	678,225
Social security costs	59,489	62,264
Other pension costs	30,313	19,204
	<u>          </u>	<u>          </u>
	766,984	759,692
	<u>          </u>	<u>          </u>

No payments or remuneration, or reimbursement of expenses, were made to Members of the Council of Management during the year (2006 £Nil)

No employees received emoluments greater than £60,000 for the year (2006 Nil)

**PEPER HAROW (SOUTH) LIMITED**

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**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****5 Tangible fixed assets**

	<b>Motor vehicles £</b>	<b>Fixtures, fittings tools and equipment £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 April 2006	15,795	1,959	17,754
Additions	14,559	-	14,559
Disposals	-	(1,959)	(1,959)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	30,354	-	30,354
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2006	5,265	1,959	7,224
Charge for year	10,118	-	10,118
Eliminated on disposal	-	(1,959)	(1,959)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	15,383	-	15,383
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2007	14,971	-	14,971
	<hr/>	<hr/>	<hr/>
At 31 March 2006	10,530	-	10,530
	<hr/>	<hr/>	<hr/>

**6 Debtors**

	<b>2007 £</b>	<b>2006 £</b>
Trade debtors	215,152	214,709
Prepayments and accrued income	2,111	1,075
	<hr/>	<hr/>
	217,263	215,784
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year

**PEPER HAROW (SOUTH) LIMITED**

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**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****7 Creditors: amounts falling due within one year**

	2007 £	2006 £
Amounts owed to parent undertaking	381,549	308,293
Taxation and social security	16,130	17,664
Other creditors	32,659	30,403
Accruals and deferred income	262,931	348,133
	<hr/> 693,269	<hr/> 704,493

**8 Pension scheme****a) Teacher's Superannuation Scheme**

A number of the charitable company's employees are members of the Teacher's Superannuation Scheme (TSS), which is an unfunded scheme. The Teacher's Superannuation Scheme (TSS) is a statutory, contributory final salary scheme administered by the Teacher's Pension Agency, an executive agency of the Department for Education and Employment. Every five years in the Government Actuary (GA), using a prospective benefits valuation method, conducts an actuarial review of the TSS.

The last valuation of the TSS was for the period 1 April 1996 to 31 March 2001. The GA's report of March 2003 revealed that the value of the assets (estimated future contributions together with the proceeds from the national investment had a valuation date) was £142,880 millions. The assumed real rate of return is 3.5% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 7%.

The actuarial value of the assets represents 100% of the benefits which had accrued to members. Following the implementation of the Teacher's Pensions (Employers' Supplementary Contributions) Regulations 2005, the government actuary carried out a further review on the level of employer's contributions. From 1 April 2003, employers pay contributions of 13.5% of salary. This rose to 14.1% on 1<sup>st</sup> January 2007.

Total pension costs during the year were £17,579 (2006 - £10,195). There were outstanding contributions of £2,891 due at the end of the financial year (2006 - £1,930).

**PEPER HAROW (SOUTH) LIMITED**

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**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****b) Group Personal Pension Plan**

A Group Personal Pension Plan exists for employees who are not eligible to be part of the above schemes. This is a defined contribution scheme.

The pension charge for the year represents contributions payable by the charitable company to the fund and amounted to £13,046 (2006 - £9,009)

There were outstanding contributions of £946 due at the end of the financial year (2006 - £2,954).

**9 Commitments**

Annual commitments under non-cancellable operating leases at 31 March 2007 were as follows.

	<b>Land and buildings 2007 £</b>	<b>Other 2007 £</b>	<b>Land and buildings 2006 £</b>	<b>Other 2006 £</b>
Leased assets which expire				
Within one year	60,000	-	60,000	-
Two to five years	-	2,990	-	2,990
	<u>60,000</u>	<u>2,990</u>	<u>60,000</u>	<u>2,990</u>

**10 Related party disclosures**

The charitable company has taken advantage of the exemption conferred by FRS 8, "Related party disclosures" not to disclose transactions with members of the group headed by the Peper Harow Foundation on the grounds that at least 90% of the voting rights in the charitable company are controlled within that group and the charitable company is included in those consolidated financial statements

**PEPER HAROW (SOUTH) LIMITED**

(a company limited by guarantee)

**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)**

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**11 Analysis of net assets between funds**

Fund balances at 31 March 2007 are represented by

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Total funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	-	14,971	14,971
Current assets	278,376	-	278,376
Current liabilities	(693,269)	-	(693,269)
	<hr/>	<hr/>	<hr/>
	(414,893)	14,971	(399,922)
	<hr/>	<hr/>	<hr/>

**12 Ultimate holding company**

The charitable company's controlling party and immediate and ultimate holding charitable company is the Peper Harow Foundation, a charitable company incorporated in England and Wales.

Copies of the consolidated financial statements of the Peper Harow Foundation are available from Companies House