

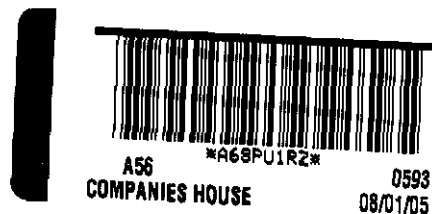
3547829

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

Report of the Council of Management
and Financial Statements

Year Ended

31 March 2004



BDO

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 2004

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PEPER HAROW (SOUTH) LIMITED

(a company limited by guarantee)

Report of the Council of Management and financial statements for the year ended 31 March 2004

Council members

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

Mr A H Isaacs, BA
Mr J Pethick, BA
Mrs E Eskenzi, JP
Ms E M Szwed LLB (Hons)

Company Secretary

Mrs E A Hunter BA (Hons) Chartered MCIPD

Treasurer

Mr B J P Cotton FCA

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent BR1 3WA

Company number

3547839

Charity number

286909

Bankers

Coutts & Co, 440 Strand, London WC2R 0QS
HSBC Bank plc, 83 Sidcup High Street, Sidcup, Kent, DA14 6DN
Natwest Bank Plc, 58 High Street, Tenderden, Kent, TN30 6AX

Solicitors

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

Registered Office

Station House, 150 Waterloo Road, London, SE1 8SB

PEPER HAROW (SOUTH) LIMITED

(a company limited by guarantee)

Report of the Council of Management for the year ended 31 March 2004

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 Harrow (South) Limited on 26 February 1999. It is also registered as a charity (number 286909) under the umbrella of the Peper Harow Foundation, its sole member.

Aims

The aims of the charitable company are:

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

Activities

The charitable company made a deficit of £126,730 (2003 – deficit of £94,760) for the year.

For a more in depth analysis of activities during the year please refer to the consolidated financial statements of the ultimate holding company, Peper Harow Foundation.

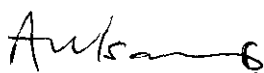
The Council of Management

All Council members are required to retire from office by rotation and are again eligible for re-election. The Articles set out a standard nomination procedure pursuant to which existing Council members may propose new Council members for appointment.

Auditors

On 31 December 2003, BDO Stoy Hayward, the charitable company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the Council of Management



A H Isaacs
Chairman

Date: 24/11/04

PEPER HAROW (SOUTH) LIMITED
(a company limited by guarantee)

Report of the Council of Management and financial statements for the year ended 31 March 2004

Statement of Responsibilities of Members of the Council

Law applicable to incorporated charities in England and Wales requires the Members of the Council (who are the directors of the company) to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the charitable company at the end of the period and of its financial activities during the period then ended. In preparing those 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;
- 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 Charities Act 1993. 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

To the members of Peper Harow (South) Limited

We have audited the financial statements of Peper Harow (South) Limited for the year ended 31 March 2004 on pages 6 to 14 which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of Council of Management and auditors

The Council of Management's responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Responsibilities of Members of the Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Report of the Council of Management 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 opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the trustees 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.

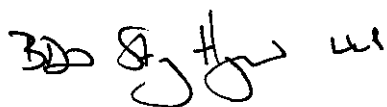
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

PEPER HAROW (SOUTH) LIMITED
(a company limited by guarantee)

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 March 2004 and the incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP
Chartered Accountants and
Registered Auditors
Bromley

Date: 24/11/04

PEPER HAROW (SOUTH) LIMITED
(a company limited by guarantee)

Statement of financial activities for the year ended 31 March 2004

		Unrestricted funds 2004 £	Restricted funds 2004 £	Total funds 2004 £	Total funds 2003 £
	Note				
Income and expenditure					
Incoming resources					
Activities in furtherance of the charity's objects:					
Local authority fees		814,980	-	814,980	836,264
Donations		3,053	9,753	12,806	2,716
Other income		1,355	-	1,355	1,371
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total incoming resources		819,388	9,753	829,141	840,351
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Resources expended					
Provision of services to children		890,811	9,753	900,564	878,934
Management and administration of the charity		55,307	-	55,307	56,177
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total resources expended	2	946,118	9,753	955,871	935,111
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net outgoing resources for the year	3	(126,730)	-	(126,730)	(94,760)
Balance brought forward at 1 April 2003		<u>(281,525)</u>	<u>-</u>	<u>(281,525)</u>	<u>(186,765)</u>
Balance carried forward at 31 March 2004		(408,255)	-	(408,255)	(281,525)
		<u> </u>	<u> </u>	<u> </u>	<u> </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 14 form part of these financial statements.

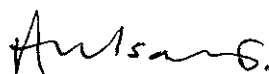
PEPER HAROW (SOUTH) LIMITED

(a company limited by guarantee)

Balance sheet at 31 March 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	5		-		391
Current assets					
Debtors	6	63,060		83,381	
Cash at bank and in hand		6,568		10,561	
		<u>69,628</u>		<u>93,942</u>	
Creditors: amounts falling due within one year	7	<u>(477,883)</u>		<u>(375,858)</u>	
Net current liabilities			<u>(408,255)</u>		<u>(281,916)</u>
Net liabilities			<u>(408,255)</u>		<u>(281,525)</u>
Capital and reserves					
Unrestricted funds			<u>(408,255)</u>		<u>(281,525)</u>

The financial statements were approved by the Council of Management on 24 November 2004 and were signed on its behalf by:



A H Isaacs
Council member

The notes on pages 8 to 14 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 2004

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.

Basis of preparation

The financial statements have been prepared in accordance with the Charities Commission Statement of Recommended Practice "Accounting and Reporting by Charities" issued in October 2000, 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.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Motor vehicles	–	33 $\frac{1}{3}$ % per annum
Fixtures, fittings, tools and equipment	–	20% per annum

Income and expenses

Expenses, rental income and fees are accounted for on an accruals basis. Donations and legacies are accounted for when received.

Funds

The charitable company has the following funds:

Unrestricted funds

These represent funds which can be expended as trustees see fit, in accordance with the charitable objects of the company.

Allocation of expenses

Donations made to the ultimate parent company, as an appreciation of the benefit of that company's head office function, help and support, are classified as management and administration. These donations are unconditional and are made at the entire discretion of the Council. Legal and professional fees incurred directly are also classified as management and administration. All other expenditure has been classified as provision of services to Children.

PEPER HAROW (SOUTH) LIMITED

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 31 March 2004 (*Continued*)

1 Accounting policies (*Continued*)

Leased assets

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

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 the ultimate parent company.

Pension costs

One of the charitable company's employees belonged to the Surrey County Council Pension Fund, 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 schemes 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 company's parent undertaking. The assets of this plan are held separately from that 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.

PEPER HAROW (SOUTH) LIMITED
(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 31 March 2004 (*Continued*)

2 Analysis of total resources expended

	2004 £	2003 £
Provision of services to children		
Staff costs	612,342	569,326
Consultancy	76,926	69,725
Insurance	14,560	7,860
Occupancy costs	62,287	72,226
Education	21,886	22,002
Maintenance	25,497	24,805
Provisions	42,678	65,757
Transport and travelling	14,715	15,487
Depreciation	391	392
Administration	20,993	21,222
Other expenditure	6,223	10,132
Restricted expenditure	2,066	-
	<hr/>	<hr/>
Total cost of provision of services to children	900,564	878,934
	<hr/>	<hr/>
	2004 £	2003 £
Management and administration		
Donation to ultimate parent company	50,000	50,000
Legal & professional	2,937	3,099
	<hr/>	<hr/>
Bank charges	2,089	762
Bad debts expense	281	2,316
	<hr/>	<hr/>
Total management and administration	55,307	56,177
	<hr/>	<hr/>
Total resources expended	955,871	935,111
	<hr/>	<hr/>

PEPER HAROW (SOUTH) LIMITED

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 31 March 2004 (Continued)**3 Net outgoing resources**

	2004 £	2003 £
Net outgoing resources for the year are stated after charging:		
Auditor's remuneration	2,937	3,084
Depreciation of tangible fixed assets	391	392
Rentals payable under operating leases:		
Land and buildings	60,000	60,000
Professional indemnity insurance	1,612	1,140
	<u> </u>	<u> </u>

The average number of persons employed by the charitable company during the year was 27 (2003: 27).

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	512,087	489,509
Social security costs	40,416	42,428
Other pension costs	19,190	8,763
	<u> </u>	<u> </u>
	571,693	540,700
	<u> </u>	<u> </u>

No payments or remuneration were made to Members of the Council of Management during the year (2003: £Nil).

The number of employees whose emoluments for the year was greater than £50,000 is £Nil (2003: £Nil).

PEPER HAROW (SOUTH) LIMITED
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Notes forming part of the financial statements for the year ended 31 March 2004 (*Continued*)

5 Tangible fixed assets

	Motor vehicles £	Fixtures, fittings tools and equipment £	Total £
<i>Cost</i>			
At 1 April 2003 and 31 March 2004	10,500	1,959	12,459
<i>Depreciation</i>			
At 1 April 2003	10,500	1,568	12,068
Charge for year	-	391	391
At 31 March 2004	10,500	1,959	12,459
<i>Net book value</i>			
At 31 March 2004	-	-	-
At 31 March 2003	-	391	391

6 Debtors

	2004 £	2003 £
Trade debtors	63,061	77,916
Other debtors	-	465
Prepayments and accrued income	-	5,000
	63,061	83,381

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 2004 (Continued)**7 Creditors: amounts falling due within one year**

	2004 £	2003 £
Amounts owed to parent undertaking	376,264	253,674
Taxation and social security	14,373	14,875
Other creditors	14,203	23,024
Accruals and deferred income	73,043	84,285
	<u>477,884</u>	<u>375,858</u>

8 Joint ventures

During the year ended 31 March 2002, the charitable company entered into an agreement with St Michael's Fellowship for the joint provision of a therapeutic treatment centre for families in the London area, based in Herne Hill. The charitable company is liable for 50% of any deficit suffered by the joint venture, but any surplus arising would only be available for the charitable company to use in the furtherance of its own charitable activities with the agreement of St Michael's Fellowship. Overall the joint venture is expected to break even and has not, therefore, been included in the financial statements of the charitable company. If at a further date, the joint venture is expected to make a loss overall then the charitable company will recognise its share of the loss at that date. The results of the joint venture based on management accounts for the years ended 31 March 2004 and 31 March 2003 were:

	2004 £	2003 £
Income	339,812	301,219
Expenditure	(353,048)	(297,271)
	<u>(13,236)</u>	<u>3,948</u>

PEPER HAROW (SOUTH) LIMITED

(a company limited by guarantee)

Notes forming part of the financial statements for the year ended 31 March 2004 (*Continued*)

9 Pension scheme

a) Surrey County Council Pension Scheme

One of the charitable company's employees was a member of the Surrey County Council Pension Scheme which is a defined benefit scheme, the assets being held in separate Trustee administered funds. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 March 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment returns would be 6.24% per annum, that salary increases would average 5.25% per annum and that present and future pensions would increase at the rate of 2.5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was 989 million and that actuarial value of those assets represented 75% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contributions of the charitable company during the year were 238% of the members contribution.

The pension charge for the year was £1,207 (2003: £2,443).

b) Teacher's Superannuation Scheme

A number of employees of Peper Harow (South) Limited belong to 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 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 total liabilities of the Scheme £142,880 millions. The value of the assets (estimated future contributions together with the proceeds from the national investments had at the valuation date) was £142,880 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess 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 represented 94% of the benefits which had accrued to members. Following the implementation of the Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2003, the government actuary carried out a further review on the level of employers' contributions. From 1 April 2003 employees pay 13.5% of salary.

The pension charge for the period was £12,860 (2003 - £Nil). There was outstanding contributions of £1,199 due at the end of the financial year (2003 - £Nil).

PEPER HAROW (SOUTH) LIMITED

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Notes forming part of the financial statements for the year ended 31 March 2004 (Continued)

9 Pension scheme (Continued)

c) Group Personal Pension Plan

A Group personal pension plan exists for employees who are not eligible to be part of the above scheme. The pension cost charge for the period represents contributions payable by the charitable company to the fund and amounted to £3,897 (2003: £4,827).

There was outstanding contributions of £938 due at the end of the financial year (2003 - £Nil).

d) Private pensions

Contributions of £1,225 were paid by the charitable company into a private pension scheme during the financial year (2003 - £1,493).

10 Commitments

Annual commitments under non-cancellable operating leases at 31 March 2004 were as follows:

	Land and buildings 2004 £	Land and buildings 2003 £
Leased assets which expire:		
Within one year	60,000	60,000

11 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.

12 Ultimate holding company

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

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