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Registered number: 04662922

PAULEY GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

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PAULEY GROUP LIMITED

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PAULEY GROUP LIMITED

COMPANY INFORMATION

Directors	H A Pauley P M Pauley N J G Pauley A J Pauley
Company secretary	P M Pauley
Registered number	04662922
Registered office	School House Tattenhoe Lane Bletchley Milton Keynes MK3 7EG
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

PAULEY GROUP LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2017**

Introduction

The directors present their report and the financial statements for the year ended 31 July 2017.

Business review

The directors are satisfied with the results for the year which show a profit before tax of £681,232 (2016 - £717,001).

During the year the Group sold its shareholding in Pauley Design Limited to enable that company to manage its growth and strategic direction independently from the Group.

As part of the Directors' continued objective to enhance the facilities of the schools operated by the Group, the Broughton site was expanded during the year through the acquisition of Broughton Manor House.

The external commercial environment is expected to remain competitive in 2017, however the directors remain confident that they will maintain the current level of performance in the future.

Principal risks and uncertainties

The principal risks and uncertainties include competition from similar businesses and employee retention. In respect of cash flow, the group is financed with appropriate long-term and short-term finance to match the needs of the business.

Financial key performance indicators

One of the subsidiaries monitors performance based on pupil numbers and turnover. The key performance indicators for the other main subsidiaries is gross margin on contracts/performance.

This report was approved by the board on 30 APRIL 2018 and signed on its behalf.



P M Pauley
Secretary

PAULEY GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2017

The directors present their report and the financial statements for the year ended 31 July 2017.

Principal activity

The company's principal activity is that of a holding company.

The group's principal activities include the operation of preparatory schools, building contractors, maintenance services and brand management, graphic design and digital media.

Directors

The directors who served during the year were:

H A Pauley
P M Pauley
N J G Pauley
A J Pauley

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £607,531 (2016 - £533,823).

Dividends of £155,600 (2017 - £159,800) were paid during the year.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 for the Group's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 and 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.

PAULEY GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2017**

Future developments

In the opinion of the directors there are no future developments that require disclosure.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Post balance sheet events

In the opinion of the Directors there are no post balance sheet events that require disclosure.

Disclosure of information to auditor

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

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

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **30 APRIL 2018** and signed on its behalf.



P M Pauley
Secretary

PAULEY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PAULEY GROUP LIMITED

Opinion

We have audited the financial statements of Pauley Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2017, which comprise the Consolidated Profit and loss account, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for qualified opinion on financial statements

As explained in the accounting policies, the company has not provided for any depreciation on leasehold improvements as required by the Companies Act 2006 and the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Although we are unable to quantify the financial effect of this non-compliance with company law and accounting standards, the provision of depreciation would reduce both the net assets of the company and the profit for the current and prior financial year.

Qualified opinion on financial statements

In our opinion, except for the effects of the matters explained in the basis for qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PAULEY GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PAULEY GROUP LIMITED
(CONTINUED)**

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

PAULEY GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PAULEY GROUP LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

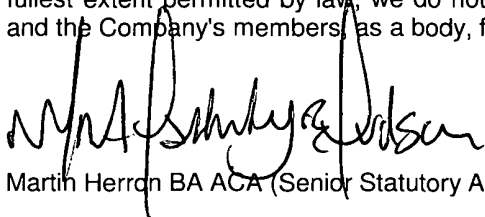
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

PAULEY GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PAULEY GROUP LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Martin Herron BA ACA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Moorgate House
201 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 1LZ

Date: 30 APRIL 2018

PAULEY GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2017**

	Note	Continuing operations 2017 £	Discontinued operations 2017 £	Total 2017 £	Continuing operations 2016 £	Discontinued operations 2016 £	Total 2016 £
Turnover	4	11,819,641	190,091	12,009,732	11,079,799	530,822	11,610,621
Cost of sales		(7,854,617)	(210,404)	(8,065,021)	(7,505,604)	(333,328)	(7,838,932)
Gross profit		3,965,024	(20,313)	3,944,711	3,574,195	197,494	3,771,689
Administrative expenses		(2,926,920)	(38,991)	(2,965,911)	(2,643,629)	(228,218)	(2,871,847)
Other operating income	5	-	-	-	666	-	666
Operating profit		1,038,104	(59,304)	978,800	931,232	(30,724)	900,508
Loss on disposal of subsidiary		-	(84,929)	(84,929)	-	-	-
Interest receivable and similar income	9	679	-	679	253	(29)	224
Interest payable and similar expenses	10	(212,146)	(1,172)	(213,318)	(183,731)	-	(183,731)
Profit before tax		826,637	(145,405)	681,232	747,754	(30,753)	717,001
Tax on profit	11	(64,364)	1,969	(62,395)	(176,563)	-	(176,563)
Profit for the financial year		762,273	(143,436)	618,837	571,191	(30,753)	540,438
Profit for the year attributable to:							
Non-controlling interests		11,306	-	11,306	6,615	-	6,615
Owners of the parent company		607,531	-	607,531	533,823	-	533,823
		618,837	-	618,837	540,438	-	540,438

The notes on pages 18 to 39 form part of these financial statements.

PAULEY GROUP LIMITED
REGISTERED NUMBER:04662922

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	14	-	25,607
Tangible assets	15	12,969,519	10,152,605
		<u>12,969,519</u>	<u>10,178,212</u>
Current assets			
Stocks	17	4,867	4,978
Debtors: amounts falling due within one year	18	1,195,716	1,225,266
Cash at bank and in hand	19	565,613	1,692,892
		<u>1,766,196</u>	<u>2,923,136</u>
Creditors: amounts falling due within one year	20	(3,476,991)	(3,868,797)
Net current liabilities		<u>(1,710,795)</u>	<u>(945,661)</u>
Total assets less current liabilities		<u>11,258,724</u>	<u>9,232,551</u>
Creditors: amounts falling due after more than one year	21	(5,734,323)	(4,073,118)
Provisions for liabilities			
Deferred taxation	25	(100,525)	(148,794)
		<u>(100,525)</u>	<u>(148,794)</u>
Net assets		<u><u>5,423,876</u></u>	<u><u>5,010,639</u></u>
Capital and reserves			
Called up share capital	26	232,070	233,865
Capital redemption reserve	27	7,177	5,382
Other reserves	27	135,000	135,000
Profit and loss account	27	5,019,642	4,612,711
Equity attributable to owners of the parent Company		<u>5,393,889</u>	<u>4,986,958</u>
Non-controlling interests		<u>29,987</u>	<u>23,681</u>
		<u><u>5,423,876</u></u>	<u><u>5,010,639</u></u>

PAULEY GROUP LIMITED
REGISTERED NUMBER:04662922

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
30 APRIL 2018.

H A Pauley
Director

A handwritten signature in black ink, appearing to be 'H A Pauley', written over the printed name and title.

The notes on pages 18 to 39 form part of these financial statements.

PAULEY GROUP LIMITED
REGISTERED NUMBER:04662922

COMPANY BALANCE SHEET
AS AT 31 JULY 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	16	239,628	240,322
		<u>239,628</u>	<u>240,322</u>
Current assets			
Debtors: amounts falling due within one year	18	3,250,854	3,897,130
Cash at bank and in hand	19	47,746	165,406
		<u>3,298,600</u>	<u>4,062,536</u>
Creditors: amounts falling due within one year	20	(103,205)	(898,983)
Net current assets		<u>3,195,395</u>	<u>3,163,553</u>
Total assets less current liabilities		<u>3,435,023</u>	<u>3,403,875</u>
Net assets		<u><u>3,435,023</u></u>	<u><u>3,403,875</u></u>
Capital and reserves			
Called up share capital	26	232,070	233,865
Capital redemption reserve	27	7,177	5,382
Profit and loss account	27	3,195,776	3,164,628
		<u>3,435,023</u>	<u>3,403,875</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
30 APRIL 2018.

H A Pauley
 Director



PAULEY GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 August 2016	233,865	5,382	135,000	4,612,711	4,986,958	23,681	5,010,639
Profit for the year	-	-	-	607,531	607,531	11,306	618,837
Dividends paid to non-controlling interests	-	-	-	-	-	(5,000)	(5,000)
Dividends: Equity capital	-	-	-	(150,600)	(150,600)	-	(150,600)
Purchase of own shares	-	1,795	-	(50,000)	(48,205)	-	(48,205)
Shares cancelled during the year	(1,795)	-	-	-	(1,795)	-	(1,795)
At 31 July 2017	232,070	7,177	135,000	5,019,642	5,393,889	29,987	5,423,876

PAULEY GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 August 2015	235,659	3,588	135,000	4,312,422	4,686,669	(7,664)	4,679,005
Profit for the year	-	-	-	533,823	533,823	6,615	540,438
Issue of shares in subsidiary to minority interest	-	-	-	996	996	-	996
Non controlling interest created on issue of shares in subsidiary	-	-	-	-	-	29,730	29,730
Dividends paid to non-controlling interests	-	-	-	-	-	(5,000)	(5,000)
Dividends: Equity capital	-	-	-	(154,800)	(154,800)	-	(154,800)
Purchase of own shares	-	1,794	-	(50,000)	(48,206)	-	(48,206)
Shares cancelled during the year	(1,794)	-	-	-	(1,794)	-	(1,794)
NCI created on issue of share capital	-	-	-	(29,730)	(29,730)	-	(29,730)
At 31 July 2016	233,865	5,382	135,000	4,612,711	4,986,958	23,681	5,010,639

The notes on pages 18 to 39 form part of these financial statements.

PAULEY GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 August 2016	233,865	5,382	3,164,628	3,403,875
Profit for the year	-	-	231,748	231,748
Dividends: Equity capital	-	-	(150,600)	(150,600)
Purchase of own shares	-	1,795	(50,000)	(48,205)
Shares cancelled during the year	(1,795)	-	-	(1,795)
At 31 July 2017	232,070	7,177	3,195,776	3,435,023

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 August 2015	235,659	3,588	3,144,456	3,383,703
Profit for the year	-	-	224,972	224,972
Dividends: Equity capital	-	-	(154,800)	(154,800)
Purchase of own shares	-	1,794	(50,000)	(48,206)
Shares cancelled during the year	(1,794)	-	-	(1,794)
At 31 July 2016	233,865	5,382	3,164,628	3,403,875

The notes on pages 18 to 39 form part of these financial statements.

PAULEY GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	618,837	540,438
Adjustments for:		
Amortisation of intangible assets	25,607	67,913
Depreciation of tangible assets	184,301	198,165
Loss on disposal of tangible assets	(7,205)	106,480
Interest paid	213,318	183,731
Interest received	(679)	(224)
Taxation	62,395	176,563
Decrease in stocks	111	1,761
(Increase)/decrease in debtors	(8,006)	4,797
(Decrease) in creditors	(24,349)	(99,946)
Corporation tax	(230,730)	(5,221)
Loss on disposal of subsidiary undertakings	84,929	-
Net cash generated from operating activities	918,529	1,174,457
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,018,545)	(637,289)
Sale of tangible fixed assets	9,250	902,738
Net cash outflow on sale of subsidiary	(51,314)	-
Interest received	679	224
HP interest paid	(37,633)	(16,968)
Net cash from investing activities	(3,097,563)	248,705

PAULEY GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2017**

	2017 £	2016 £
Cash flows from financing activities		
Issue of ordinary shares	-	996
Movement in relation to loans	975,969	(392,402)
Net payment on HP agreements	(42,630)	38,915
Dividends paid	(155,600)	(159,800)
Interest paid	(175,685)	(166,763)
Purchase of own shares	(50,000)	(50,000)
Net cash used in financing activities	552,054	(729,054)
Net (decrease)/increase in cash and cash equivalents	(1,626,980)	694,108
Cash and cash equivalents at beginning of year	522,688	(171,420)
Cash and cash equivalents at the end of year	(1,104,292)	522,688
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	565,613	1,692,892
Bank overdrafts	(1,669,905)	(1,170,204)
	(1,104,292)	522,688

PAULEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

1. General information

Pauley Group Limited is a limited company incorporated in England. The Company's registered office and principal place of business is Tattenhoe Lane, Bletchley, Milton Keynes, MK3 7EG. Its principal activity during the year was that of a holding company.

The financial statements are presented in Sterling, which is also the functional currency of the Company. The level of rounding used in these statements is £1.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 August 2014.

2.3 Going concern

The Group had net current liabilities of £1,710,795 at 31 July 2017 and is dependent on the continued support of its bankers. The company's bankers have indicated to the directors that they are not aware of any reason why the current facilities should not continue to be made available for a period of at least 12 months from the date on which these financial statements are signed by the directors. The directors have considered the trading and cash flow forecasts for the next 12 months and are confident that the Group can continue trading within the facilities granted by their bankers and continue in operational existence for the foreseeable future. Consequently the directors are of the opinion that it is appropriate that the accounts are prepared on a going concern basis.

PAULEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated profit and loss account over its useful economic life.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Two of the Group's subsidiaries do not provide depreciation on freehold buildings and leasehold improvements as the Group's policy is to maintain its property to a high standard. This is not compliant with "The Small Companies and Group (Accounts and Directors Report) Regulations 2008" schedule 1 paragraph 18 or Financial Reporting Standard 102. The directors believe this still gives true and fair view of the financial statements as at 31 July 2017.

Another subsidiary of the Group does provide depreciation on leasehold improvements.

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

Depreciation is provided on the following basis:

Plant and machinery	- 3 to 10 years
Fixtures and fittings	- 1 to 6 years
Other equipment	- 3 to 5 years

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

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

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

2. Accounting policies (continued)**2.9 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Finance costs

Finance costs are charged to the consolidated profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Operating leases

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

2. Accounting policies (continued)

2.16 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the consolidated profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Retirement benefits are provided by the Teachers' Pension Scheme ('TPS'), in respect of the company's teaching staff. This defined benefit scheme, is contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the company.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi employer scheme and the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The company also pays pension contributions to personal pension plans of certain management staff. The annual contributions payable are charged to the profit and loss account. The assets of these schemes are held separately to those of the company.

Subject to meeting certain eligibility criteria, employees of the schools within the Group are auto enrolled into a workplace pension scheme administered by Standard Life. The annual contributions payable are charged to the profit and loss account. The assets of this scheme are held separately to those of the company.

2.18 Interest income

Interest income is recognised in the consolidated profit and loss account using the effective interest method.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

2. Accounting policies (continued)**2.19 Borrowing costs**

All borrowing costs are recognised in the consolidated profit and loss account in the year in which they are incurred.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

On application of the Group's accounting policies, management have been required to make judgements, estimates and assumptions. These estimates which relate to the carrying value of assets and liabilities, where not readily available from other sources, are based on underlying assumptions and experience. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an on-going basis.

The key estimates are depreciation and provisions for doubtful debts. There are no key judgments.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Operation of preparatory schools	10,534,234	9,680,076
Building contracts	1,065,622	1,259,690
3D visualisation and digital content	246,108	173,692
Graphic design, digital media and brand management	163,768	497,163
	<u>12,009,732</u>	<u>11,610,621</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2017 £	2016 £
Other operating income	-	666
	<u>-</u>	<u>666</u>

6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	<u>19,750</u>	<u>21,000</u>
Fees payable to the Group's auditor in respect of:		
Taxation compliance services	7,500	7,500
All other services	12,000	12,000
	<u>19,500</u>	<u>19,500</u>

Fees payable to the Group's auditor for the audit of the Company annual financial statements were £1,100 (2016 - £1,100).

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

7. Employees

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	6,214,357	5,849,979	-	-
Social security costs	444,136	389,767	-	-
Cost of defined contribution scheme	408,521	390,035	-	-
	<u>7,067,014</u>	<u>6,629,781</u>	<u>-</u>	<u>-</u>

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

	2017 No.	2016 No.
Employees including directors	<u>253</u>	<u>254</u>

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	652,741	634,586
Company contributions to defined contribution pension schemes	41,750	41,750
	<u>694,491</u>	<u>676,336</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £209,316 (2016 - £202,444).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2016 - £NIL).

In the opinion of the Directors the key management personnel are the Directors.

9. Interest receivable

	2017 £	2016 £
Other interest receivable	<u>679</u>	<u>224</u>

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	172,676	164,586
On hire purchase agreements	37,633	16,968
Other interest payable	3,009	2,177
	<u>213,318</u>	<u>183,731</u>

11. Taxation

	2017 £	2016 £
Current tax on profits for the year	133,727	168,592
Adjustments in respect of previous periods	(20,131)	-
Total current tax	<u>113,596</u>	<u>168,592</u>
Deferred tax		
Origination and reversal of timing differences	(51,201)	7,971
Total deferred tax	<u>(51,201)</u>	<u>7,971</u>
Taxation on profit on ordinary activities	<u>62,395</u>	<u>176,563</u>

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.7% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	681,232	717,001
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.7% (2016 - 20%)	134,203	143,400
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	9,176	74,675
Capital allowances for year in excess of depreciation	(25,643)	(15,606)
Adjustment in relation to unrealised profit outside of the Group	32,720	(33,877)
Adjustments in prior periods	(20,131)	-
Other timing differences leading to an increase/(decrease) in taxation	5,944	-
Adjustment in research and development tax credit leading to an increase/(decrease) in the tax charge	(21,138)	-
Book profit on chargeable assets	(1,418)	-
Changes in provisions leading to an increase/(decrease) in the tax charge	248	-
Non trade loss	(365)	-
Deferred tax	(51,201)	7,971
Total tax charge for the year	62,395	176,563

12. Dividends

	2017 £	2016 £
Dividends paid on "A" ordinary shares	60,600	64,800
Dividends paid on "B" ordinary shares	90,000	90,000
	150,600	154,800

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent Company for the year was £231,748 (2016 - £224,972).

14. Intangible assets**Group**

	Goodwill £
Cost	
At 1 August 2016	679,133
At 31 July 2017	679,133
Amortisation	
At 1 August 2016	653,526
Charge for the year	25,607
At 31 July 2017	679,133
Net book value	
At 31 July 2017	-
At 31 July 2016	25,607

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

15. Tangible fixed assets

Group

	Freehold property £	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Other equipment £	Total £
Cost or valuation						
At 1 August 2016	9,137,177	711,326	17,794	464,338	1,298,452	11,629,087
Additions	2,861,052	33,859	1,639	13,793	108,202	3,018,545
Disposals	-	-	(669)	(9,698)	(80,504)	(90,871)
Disposal of subsidiary	-	(7,612)	-	(41,522)	(158,354)	(207,488)
At 31 July 2017	<u>11,998,229</u>	<u>737,573</u>	<u>18,764</u>	<u>426,911</u>	<u>1,167,796</u>	<u>14,349,273</u>
Depreciation						
At 1 August 2016	-	55,026	12,757	434,809	973,890	1,476,482
Charge for the year on owned assets	-	245	4,199	18,623	161,234	184,301
Disposals	-	-	(140)	(8,412)	(80,275)	(88,827)
Disposal of subsidiary	-	(2,973)	-	(41,522)	(147,707)	(192,202)
At 31 July 2017	<u>-</u>	<u>52,298</u>	<u>16,816</u>	<u>403,498</u>	<u>907,142</u>	<u>1,379,754</u>
Net book value						
At 31 July 2017	<u>11,998,229</u>	<u>685,275</u>	<u>1,948</u>	<u>23,413</u>	<u>260,654</u>	<u>12,969,519</u>
At 31 July 2016	<u>9,137,177</u>	<u>656,300</u>	<u>5,037</u>	<u>29,529</u>	<u>324,562</u>	<u>10,152,605</u>

The net book value of assets held under hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	26,536	29,512
Motor vehicles	222,430	234,058
	<u>248,966</u>	<u>263,570</u>

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

16. Fixed asset investments**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Pauley Properties Limited	Ordinary	100 %	Property Holding Company
Milton Keynes Preparatory School	Ordinary	96 %	Operation of preparatory schools
Pauley Limited	Ordinary	100 %	Building contractors
A J Pauley Developments Limited	Ordinary	100 %	Dormant
Pauley Plant Limited	Ordinary	100 %	Dormant
The School Shop Limited	Ordinary	100 %	Dormant
Pauley Interactive Limited	Ordinary	100 %	Provision of 3D visualisation and digital content
Urban Tree Planter Limited	Ordinary	75 %	Dormant
Culture Odyssey Limited	Ordinary	100 %	Dormant

The Group disposed of its interest in Pauley Design Limited on 31 December 2016, details of which can be found in note 28.

The aggregate of the share capital and reserves as at 31 July 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Pauley Properties Limited	2,269,845	528,440
Milton Keynes Preparatory School Limited	941,272	127,640
Pauley Limited	(158,648)	(809)
A J Pauley Developments Limited	5,335	-
Pauley Plant Limited	1,300	-
The School Shop Limited	900	-
Pauley Interactive Limited	93,019	62,484
Urban Tree Plant Limited	(30,888)	-
Culture Odyssey Limited	(631)	-
	3,121,504	717,755

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

16. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2016	359,323
Disposals	(694)
At 31 July 2017	<u>358,629</u>
Impairment	
At 1 August 2016	119,001
At 31 July 2017	<u>119,001</u>
Net book value	
At 31 July 2017	<u>239,628</u>
At 31 July 2016	<u>240,322</u>

17. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Goods for resale	<u>4,867</u>	<u>4,978</u>	<u>-</u>	<u>-</u>

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

18. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	562,027	590,865	-	-
Amounts owed by group undertakings	-	-	3,070,748	3,665,474
Other debtors	567,420	576,791	180,106	231,656
Called up share capital not paid	996	996	-	-
Prepayments and accrued income	57,690	56,614	-	-
Amounts recoverable on long term contracts	7,583	-	-	-
	<u>1,195,716</u>	<u>1,225,266</u>	<u>3,250,854</u>	<u>3,897,130</u>

19. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	565,613	1,692,892	47,746	165,406
Less: bank overdrafts	(1,669,905)	(1,170,204)	-	-
	<u>(1,104,292)</u>	<u>522,688</u>	<u>47,746</u>	<u>165,406</u>

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

20. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	1,669,905	1,170,204	-	-
Bank loans	461,092	1,195,518	-	-
Payments received on account	-	35,455	-	-
Trade creditors	251,747	366,043	-	4,012
Amounts owed to group undertakings	-	-	-	692,502
Corporation tax	356,427	446,317	101,767	136,305
Taxation and social security	215,704	189,521	-	-
Obligations under hire purchase agreements	81,215	74,655	-	-
Other creditors	131,744	179,663	78	64,866
Accruals and deferred income	309,157	211,421	1,360	1,298
	3,476,991	3,868,797	103,205	898,983

The bank overdraft and loans are secured by way of a fixed and floating charge over all the group's assets and by way of a cross guarantee between Pauley Group Limited and its subsidiaries.

Hire purchase contracts are secured on the assets to which they relate.

21. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	5,649,815	3,939,420	-	-
Obligations under hire purchase agreements	84,508	133,698	-	-
	5,734,323	4,073,118	-	-

The bank loans are secured by way of a fixed and floating charge over all the group's assets and by way of a cross guarantee between Pauley Group Limited and its subsidiaries.

Hire purchase contracts are secured on the assets to which they relate.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

22. Loans

Analysis of the maturity of loans is given below:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Bank loans	461,092	1,195,518	-	-
Amounts falling due 1-2 years				
Bank loans	5,649,815	3,939,420	-	-
	6,110,907	5,134,938	-	-

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £
Within one year	81,215	74,655
Between 1-2 years	54,874	42,125
Between 2-5 years	29,634	91,573
	165,723	208,353

24. Financial instruments

All financial instruments are held at amortised cost.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

25. Deferred taxation**Group**

	2017 £	2016 £
At beginning of year	(148,794)	(140,823)
Charged to the profit and loss account	51,201	(7,971)
Disposal of subsidiary undertakings	(2,933)	-
At end of year	(100,526)	(148,794)

At end of year

The provision for deferred taxation is made up as follows:

	Group 2017 £	Group 2016 £
Accelerated capital allowances	(105,388)	(153,916)
Provisions	4,862	5,122
	(100,526)	(148,794)

26. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
59,813 "A" Ordinary shares of £1 each	59,813	59,813
172,257 "B" Ordinary shares of £1 each	172,257	172,257
Nil (2016 - 1,795) "C" Ordinary shares of £1 each	-	1,795
	232,070	233,865

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

26. Share capital (continued)

The shares have the following rights:

Ordinary A Shares

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights and rights to appoint or remove "A" directors. They do not confer any rights of redemption and there are restrictions on transfer.

Ordinary B Shares

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights and rights to appoint or remove "B" directors. They do not confer any rights of redemption and there are restrictions on transfer.

Ordinary C Shares

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption, right to appoint directors and there are restrictions on transfer.

There are currently no "A" or "B" directors appointed.

27. Reserves

Capital redemption reserve

The capital redemption reserve represents the nominal value of the purchase of own shares.

Other reserves

The other reserves represents a merger relief reserve which is the difference between the nominal value of the shares issued in a share for share exchange and the fair value of the shares acquired.

Profit and loss account

The profit and loss account reserve includes all current and prior period retained profits and losses.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

28. Discontinued operations

On 31 December 2016, the Group disposed of its interest in Pauley Design Limited. The details of the disposal are as follows:

		£
Cash proceeds		10,000
		<u>10,000</u>
Net assets disposed of:		
Tangible fixed assets	15,286	
Debtors	106,227	
Cash	61,314	
Creditors	(87,898)	
		<u>(94,929)</u>
Profit/(Loss) on disposal before tax		<u><u>(84,929)</u></u>

The net inflow of cash in respect of the sale of Pauley Design Limited is as follows:

	£
Cash consideration	10,000
Cash transferred on disposal	(61,314)
Net outflow of cash	<u><u>(51,314)</u></u>

29. Pension commitments

During the year the group made pension contributions of £407,050 (2016 - £369,160). At the year end employer contributions outstanding were £32,178 (2016 - £42,356).

30. Commitments under operating leases

At 31 July 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Not later than 1 year	1,547	1,415
Later than 1 year and not later than 5 years	231	2,118
	<u><u>1,778</u></u>	<u><u>3,533</u></u>

PAULEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

31. Directors benefits: advances, credits and guarantees

Included within other debtors is a balance of £10,000 (2016 - £Nil) owed by N J G Pauley, a director. The maximum amount owed by N J G Pauley during the year was £10,000 (2016 - £Nil). No interest is being charged on this balance and it is repayable on demand.

Included within debtors is a balance of £21,584 (2016 - £233,380) owed by A J Pauley, a director. The maximum outstanding balance during the year was £272,922 (2016 - £244,954). No interest is being charged on this balance and it is repayable on demand.

Included within other debtors due within one year is a loan to H A Pauley, a director, amounting to £217,737 (2016 - £Nil). The maximum amount outstanding during the year was £217,737 (2016 - £Nil). No interest is being charged on this balance and it is repayable on demand.

32. Related party transactions

At the year end an amount of £120,905 (2016 - £185,705) was due from the Pauley Family Discretionary Trust, a trust that is under the control of the Pauley family, and has been included in other debtors.

During the year consultancy fees were paid to Pauley Cordes LLP, an entity in which N Pauley is a designated member, of £Nil (2016 - £37,933). There was no balances outstanding at the year end.

During the year the company made sales to N Pauley, a director of the Pauley Group, totalling £2,031 (2016: £nil). At the year end N Pauley owed the company £2,437 (2016: £nil) which has been provided for as doubtful.

During the year dividends were paid to the Directors' totalling £90,000 (2016 - £90,000).

The company purchased a property from H A Pauley in the year for an amount totalling £2,350,000 plus associated costs. This was deemed to be open market value.

A composite bank agreement is in force as at 31 July 2017, under which the group is liable for any bank liabilities incurred by group companies named within this agreement. The total liability outstanding as at 31 July 2017 was £7,110,772 (2016 - £4,615,656).

Included within other creditors is £19,255 (2016 - £19,255) owed to P M Pauley, a director. The maximum outstanding during the year was £19,255 (2016 - £19,255). No interest is being charged on this loan and it is repayable on demand.

H A Pauley, a director, has provided a personal guarantee of £3,800,000 in respect of the Group bank loan facility, supported by a legal charge over part of the Group's land and buildings, including Broughton Manor Preparatory School.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 not to disclose transactions with its wholly owned subsidiaries.

Pauley Design Limited (a company with a common director) left the Group on the 31 December 2016. Any transactions with the Company after this date are no longer covered by the group exemption under FRS 102. From 31 December 2016 purchases from this company amounted to £16,613. The balance due as at 31 July 2017 was £1,189.

PAULEY GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

33. Controlling party

In the opinion of the directors there is no ultimate controlling party.