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Company Registration No 5133622 (England and Wales)

4CHILDREN (DIRECT) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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4CHILDREN (DIRECT) LIMITED

COMPANY INFORMATION

Directors

Mr J Cove (Chairperson)
Ms H Mosienko
Ms A Longfield OBE
Mr C Ellis
Mr G Lust (resigned 20/07/2012)
Mr G Walker (appointed 20/07/2012)

Secretary and registered office

Mr C Ellis
City Reach
5 Greenwich View Place
London
E14 9NN

Company number

5133622

Auditors

Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

Bankers

National Westminster Bank Plc
403 Bethnal Green Road
London
E2 0AL

4CHILDREN (DIRECT) LIMITED

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4CHILDREN (DIRECT) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and the financial statements for the year ended 31 March 2012

Directors' Responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit and loss of the company for that period. In preparing those financial statements, the directors are required to

- ☐ select suitable accounting policies and then apply them consistently,
- ☐ make judgements and accounting estimates that are reasonable and prudent,
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In the case of each of the persons who are directors at the time when this report is approved, the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) the director has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Principal activities and review of the business

The principal activity during the year was the provision of childcare services. The company has entered into a gift aid arrangement under which the whole of its taxable profit in any accounting period is donated to the parent charity.

Directors

The directors listed below held office during the whole of the period from 1 April 2011 to the date of this report, unless otherwise stated:

Mr J Cove
Ms H Mosienko
Ms A Longfield OBE
Mr C Ellis
Mr G Lust
Ms F Armstrong (resigned 17/07/11)

Auditors


Saffery Champness have expressed their willingness to remain as auditors of the company.

4CHILDREN (DIRECT) LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012**

The directors have prepared this report in accordance with the special provisions of the Companies Act 2006 relating to small companies

On behalf of the Board


J. Cove
Director

13 December 2012

4CHILDREN (DIRECT) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial accounts on pages 5 to 11. Those financial statements have been prepared under the historical cost convention and the accounting policies set out therein and the Financial Reporting Standard for Smaller Entities (effective April 2008), (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the company as at 31 March 2012 and of its result for the year the ended, and
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
 - the financial statements are not in agreement with the accounting records and returns, or
 - certain disclosures of directors' remuneration specified by law are not made, or
 - we have not received all the information and explanations we require for our audit
 - the directors were not entitled to prepare the financial statements in accordance with the small companies exemption in preparing the Report of the Directors
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4CHILDREN (DIRECT) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Saffery Champness

Cara Turlington
(Senior Statutory Auditor)
For and on behalf of
Saffery Champness

Chartered Accountants
~~Registered~~ Auditors
Statutory

17 December 2012

Lion House
Red Lion Street
London
WC1R 4GB

4CHILDREN (DIRECT) LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER	2	5,707,417	3,509,191
Cost of sales		(5,037,910)	(2,828,609)
GROSS PROFIT		669,507	680,582
Administrative expenses		(600,870)	(596,605)
OPERATING PROFIT	3	68,637	83,977
Less			
Interest payable and similar expenses		(37,343)	(15,491)
Payment under Gift Aid		(31,294)	(68,486)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>-</u>	<u>-</u>

All amounts relate to continuing activities

There are no movements of shareholders funds apart from the profit/(loss) for the year

4CHILDREN (DIRECT) LIMITED**BALANCE SHEET****AT 31 MARCH 2012**

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	5	223,901	99,416
Development expenditure	6	209,528	251,434
		<u>433,429</u>	<u>350,850</u>
CURRENT ASSETS			
Work in progress	7	1,190,716	730,230
Debtors	8	720,309	313,762
Cash at bank and in hand		156,810	256,680
		<u>2,067,835</u>	<u>1,300,672</u>
CREDITORS amounts falling due within one year	9	(2,532,614)	(1,626,126)
NET CURRENT (LIABILITIES)		<u>(464,779)</u>	<u>(325,454)</u>
CREDITORS Amounts falling due after one year	9	(45,458)	(102,204)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>(76,808)</u></u>	<u><u>(76,808)</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Net (loss) brought forward	10	(76,809)	(76,809)
Profit/(Loss) for the year		-	-
EQUITY SHAREHOLDERS' FUNDS		<u><u>(76,808)</u></u>	<u><u>(76,808)</u></u>

These financial statements have been prepared in accordance with the special provisions of part VII of the Companies Act 2006, and the Financial Reporting Standard for Smaller Entities (April 2008) relating to small companies

Approved by the Board on 18th December 2012


Director

Company registration number 5133622

4CHILDREN (DIRECT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2012****1 ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). These financial statements have been prepared on a going concern basis. The company has not produced a cash flow on the grounds that as a small company it is exempt. The following principal accounting policies have been applied:

1.1 Turnover

Turnover is attributable to the one principal activity of the company which arose wholly in the United Kingdom. Turnover represents sales to outside customers at invoiced amounts net of value added tax.

1.2 Depreciation

Depreciation is provided to write off the cost, less its estimated residual value, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment	-	25% per annum
Fixtures & Fittings	-	25% per annum
Sundry assets	-	33% per annum

1.3 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. The work in progress policy is to write down the initial centre cost over a three year period from the time that it becomes operative. Costs incurred after a centre has opened do not form part of work in progress. Details are shown in note 7.

1.4 Development expenditure

Development expenditure is accounted for in accordance with SSAP13 "Research and Development". Details are shown in note 6.

2 TURNOVER

Turnover is attributable to the one principal activity of the company which arose wholly in the United Kingdom. Government grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute. Where the recognition of part or all of a grant that has been received is deferred it is treated as deferred income and included in creditors.

3 OPERATING PROFIT

2012	2011
£	£

The operating profit is stated after charging:

Auditors' remuneration - audit fees - current year	10,000	9,400
Depreciation - own tangible assets	74,498	67,438

4 TAXATION

The company is liable to taxation on its taxable profits. However, no tax provision is included in these accounts as the profits were paid by Gift Aid to the ultimate parent company (see note 12) reducing the taxable profit to £nil for the year.

4CHILDREN (DIRECT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2012****5 TANGIBLE FIXED ASSETS**

	Computer Equipment £	Fixtures and fittings £	Sundry assets £	Total £
COST				
At 1 April 2011	32,235	41,270	170,393	243,898
Additions	29,699	47,643	121,641	198,983
At 31 March 2012	61,934	88,913	292,034	442,881
DEPRECIATION				
At 1 April 2011	8,474	21,673	114,335	144,482
Charge for the year	10,260	16,213	48,025	74,498
At 31 March 2012	18,734	37,886	162,360	218,980
NET BOOK VALUE				
At 31 March 2012	43,200	51,027	129,674	223,901
At 31 March 2011	23,761	19,597	56,058	99,416

6 DEVELOPMENT EXPENDITURE

	2012 £	2011 £
Product development	42,595	51,115
Project development	146,623	175,950
Modelling development	20,310	24,369
	209,528	251,434

Development expenditure incurred to 31st March 2012 related to the Children's Centres project and is to be written off to the profit and loss account over the period of the definable project life, being a ten year period from 1 April 2007 and is in compliance with SSAP 13

4CHILDREN (DIRECT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2011**

7 WORK IN PROGRESS	2012	2011
	£	£
Work in progress	<u>1,190,716</u>	<u>730,230</u>

The ongoing expenditure relating to the Children's Centres is charged to Work in Progress £963,567 (2010/11 £730,230) £503,084 (2010/11 £310,632) was written off during the year. This is an ongoing project with Centres phased to open during the next three years, funded over a ten year period

8 DEBTORS	2012	2011
	£	£
Trade debtors	242,518	214,094
Other debtors	166,758	28,504
Accrued income	311,033	71,164
	<u>720,309</u>	<u>313,762</u>

9 CREDITORS Amounts falling due within one year	2012	2011
	£	£
Loan and loan interest	63,863	62,287
Trade creditors	527,547	159,921
Accruals	82,222	90,255
Deferred income	-	65,015
Sundry Creditors	14,100	-
Payroll and social security costs	272,832	62,630
Amounts owed to parent undertaking	1,572,050	1,186,018
	<u>2,532,614</u>	<u>1,626,125</u>

4CHILDREN (DIRECT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2012****9 CREDITORS (Continued)**

Creditors	Amounts falling due after more than one year	2012 £	2011 £
External loans		<u>45,458</u>	<u>102,204</u>
Loan maturity analysis		2012 £	2011 £
In less than one year		63,863	62,287
In more than one year but not more than two years		45,458	62,287
In more than two years but not more than five years		-	39,917
		<u>109,321</u>	<u>164,491</u>
Included in current liabilities		(63,863)	(62,287)
		<u>45,458</u>	<u>102,204</u>

The external loan is from Big Issue Investments Limited. This has been specifically loaned to 4Children (Direct) Ltd for the investment in current and future Childcare Centres. The loan is for a period of five years from January 2009, with a capital repayment period of forty two months beginning in August 2010. The loan is secured by a debenture charged over the total assets of the company.

10 SHAREHOLDERS FUNDS

	Profit and loss account £	Share capital £	Total £
As at 1 April 2011	(76,809)	1	(76,808)
Net profit/(loss) for the year	-	-	-
As at 31 March 2012	<u>(76,809)</u>	<u>1</u>	<u>(76,808)</u>
The share capital comprises	2012 £		2011 £
Authorised			
100 Ordinary shares of £1 each	<u>100</u>		<u>100</u>
Allotted, issued called up and fully paid			
1 Ordinary share of £1	<u>1</u>		<u>1</u>

4CHILDREN (DIRECT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2012**

11 CONTINGENT LIABILITY

The bank overdraft of the ultimate parent company, 4 Children, is secured by way of a cross guarantee over the assets of 4Children (Direct) Limited behind the debenture holder, Big Issue Investments Limited, this debenture is against the loan taken out in January 2009 for £200,000. Since the year end this loan has been repaid.

12 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is 4Children, a charitable company registered in England and Wales (Registered Company No 1789253). 4Children owns 100% of the issued share capital of 4Children (Trading) Limited (Registered Company No 2433565) which owns 100% of the issued share capital of 4Children (Direct) Limited. 4Children and 4Children (Trading) Ltd will continue to support 4Children (Direct) Limited and will not demand repayment of the loan account which represents £1,572,050 of the company's creditors, until a surplus becomes available. 4Children (Direct) has Gift Aided its entire taxable profit totalling £31,294 to the charity. Group accounts may be obtained from:

4Children
City Reach
5 Greenwich View Place
London
E14 9NN

4Children (Direct) Limited is, as a wholly-owned subsidiary under FRS 8, exempt from disclosing transactions with other group companies.

4CHILDREN (DIRECT) LIMITED**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012****THIS PAGE IS FOR MANAGEMENT INFORMATION ONLY**

	2012		2011	
	£	£	£	£
TURNOVER				
Grants and donations	1,909,941		1,112,530	
Nursery fees	3,073,936		1,984,065	
Other income	170,646		93,935	
Out of school fees	552,894		318,661	
		5,707,417		3,509,191
COST OF SALES				
Staff costs	3,931,256		2,056,493	
Printing and publications	27,886		5,505	
Food and beverages	301,017		237,645	
Consumables	43,440		26,196	
Project costs	734,311		502,770	
		5,037,910		2,828,609
GROSS PROFIT		669,507		680,582
ADMINISTRATIVE EXPENSES				
Printing, postage and stationery	1,568		23,780	
Advertising and promotion	-		6,754	
Other staff costs	58,392		101,826	
Consultants fees	-		2,742	
Temporary staff	-		212	
Depreciation	74,497		67,438	
Equipment costs	63,907		26,910	
Telephone	27,657		15,248	
Travel expenses	48,965		34,535	
Premises costs	298,208		241,798	
Sundry expenses	(10,823)		2,690	
Transport costs	-		14,568	
Legal and professional	12,772		2,060	
Computer maintenance	6,777		18,916	
License Fees	-		24,000	
Audit fees	10,000		9,400	
Bank charges	8,950		3,728	
		600,870		596,605
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		68,637		83,977
INTEREST AND GIFT AID				
Gift Aid		(31,294)		(68,486)
Interest payable		(37,343)		(15,491)
Profit/(Loss) for the financial year		-		-