

Company Registration No. 5133822 (England and Wales)

4CHILDREN (DIRECT) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

SATURDAY



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COMPANIES HOUSE

4CHILDREN (DIRECT) LIMITED

COMPANY INFORMATION

Directors	Mr J Cove (Chairperson) Ms. H. Mosienko Ms. A Longfield OBE Mr. C. Ellis Mr G Walker
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Secretary and registered office	Mr C Ellis City Reach 5 Greenwich View Place London E14 9NN
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Company number	5133622
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Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
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Bankers	HSBC Bank plc 8 Canada Square London E14 5HQ
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4CHILDREN (DIRECT) LIMITED

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4CHILDREN (DIRECT) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements for the year ended 31 March 2013.

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/she 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 taxable profit in any accounting period is donated to the parent charity.

Risk statement

4Children (Direct) Limited operates a hierarchical risk management strategy with the company retaining overall responsibility. As part of the overall risk management strategy, the directors have put in place a number of processes to assess business risk and implement risk management strategies. This involves a detailed review of the type of risks that the company faces, the level of risk that is regarded as acceptable, the likelihood of the risk materialising and the implementation of effective controls to mitigate them. The strategies incorporate the following:

- Disaster Recovery Plan
- Finance Operations Manual
- Review of internal controls
- Clarification of responsibilities
- Review of insurable risks

In addition, as part of the overall strategy of following a robust risk management strategy, the directors at board level regularly review other areas of risk faced by the company, with a view to setting policies in place which can mitigate them. The risk statement is assessed and reviewed as appropriate quarterly by Board. The main factor identified during the year which was outside the direct control of the organisation was the continuing global

4CHILDREN (DIRECT) LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2013**

financial exposure. In response to this risk, 4Children (Direct) Ltd reviewed and adjusted, where appropriate, its policies and procedures to minimise risk and impact.

Directors

The directors listed below held office during the whole of the period from 1 April 2012 to the date of this report, unless otherwise stated.

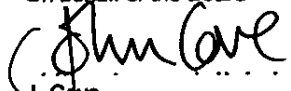
Mr J. Cove
Ms H. Mosienko
Ms A. Longfield OBE
Mr C. Ellis
Mr G. Walker (appointed 20 July 2012)
Mr G. Lust (resigned 20 July 2012)

Auditors

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

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
3 October 2013

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 2013 and of its result for the year then 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

4CHILDREN (DIRECT) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS



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

Chartered Accountants
Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

14 October 2013

4CHILDREN (DIRECT) LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
TURNOVER	2	8,582,032	5,707,417
Cost of sales		(7,493,624)	(5,037,910)
GROSS PROFIT		1,088,408	669,507
Administrative expenses		(1,009,667)	(600,870)
OPERATING PROFIT	3	78,741	68,637
Less:			
Interest payable and similar expenses		(18,594)	(37,343)
Payment under Gift Aid		(28,853)	(31,294)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		31,294	-

All amounts relate to continuing activities

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

The notes on pages 7 to 11 form part of these financial statements

4CHILDREN (DIRECT) LIMITED

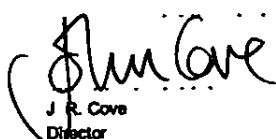
BALANCE SHEET

AT 31 MARCH 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Tangible assets	5	344,371	223,901
Development expenditure	6	167,622	209,528
		<u>511,993</u>	<u>433,429</u>
CURRENT ASSETS			
Work in progress	7	907,338	1,190,716
Debtors	8	633,270	720,309
Cash at bank and in hand		113,500	156,810
		<u>1,654,108</u>	<u>2,067,835</u>
CREDITORS amounts falling due within one year	9	<u>(2,211,615)</u>	<u>(2,532,614)</u>
NET CURRENT (LIABILITIES)		<u>(557,507)</u>	<u>(464,779)</u>
CREDITORS Amounts falling due after one year	9	-	(45,458)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(45,514)</u>	<u>(76,808)</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		31,284	-
EQUITY SHAREHOLDERS' FUNDS		<u>(45,514)</u>	<u>(76,808)</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 3 October 2013


J. R. Cove
Director

Company registration number 5133622

4CHILDREN (DIRECT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2013

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

2013	2012
£	£

The operating profit is stated after charging:

Auditors' remuneration current year	12,000	10,000
Depreciation - own tangible assets	97,785	74,498

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 2013

5 TANGIBLE FIXED ASSETS

	Computer Equipment £	Fixtures and fittings £	Sundry assets £	Total £
COST				
At 1 April 2012	61,934	88,913	292,034	442,881
Additions	14,779	91,114	112,372	218,265
Disposals	-	-	(75,861)	(75,861)
At 31 March 2013	<u>76,712</u>	<u>180,027</u>	<u>328,545</u>	<u>585,285</u>
DEPRECIATION				
At 1 April 2012	18,734	37,888	162,360	218,980
Charge for the year	16,355	20,553	60,887	97,795
Disposals	-	-	(75,861)	(75,861)
At 31 March 2013	<u>35,089</u>	<u>58,439</u>	<u>147,386</u>	<u>240,914</u>
NET BOOK VALUE				
At 31 March 2013	<u>41,624</u>	<u>121,588</u>	<u>181,159</u>	<u>344,371</u>
At 31 March 2012	<u>43,200</u>	<u>51,027</u>	<u>129,673</u>	<u>223,901</u>

6 DEVELOPMENT EXPENDITURE

	2013 £	2012 £
Product development	34,075	42,595
Project development	117,296	148,823
Modelling development	16,251	20,310
	<u>167,622</u>	<u>209,528</u>

Development expenditure incurred to 31st March 2013 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 2013**

7	WORK IN PROGRESS	2013	2012
		£	£
	Work in progress	<u>907,338</u>	<u>1,180,716</u>

The ongoing expenditure relating to the Children's Nurseries is charged to Work in Progress £345,687 (2011/12 £963,567). £629,065 (2011/12 £503,084) was written off during the year. This is an ongoing project with Nurseries phased to open during the next three years, funded over a ten year period.

8	DEBTORS	2013	2012
		£	£
	Trade debtors	386,952	242,518
	Other debtors	14,024	166,758
	Accrued income	232,294	311,033
		<u>633,270</u>	<u>720,309</u>

9	CREDITORS - Amounts falling due within one year	2013	2012
		£	£
	Loan and loan interest	-	63,863
	Trade creditors	466,532	527,547
	Accruals	30,126	82,222
	Sundry Creditors	7,394	14,100
	Payroll and social security costs	208,026	272,832
	Amounts owed to group undertakings	1,499,538	1,572,050
		<u>2,211,615</u>	<u>2,532,614</u>

4CHILDREN (DIRECT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 March 2013****9 CREDITORS (Continued)**

Creditors	Amounts falling due after more than one year	2013 £	2012 £
External loans		-	45,458
Loan maturity analysis		2013 £	2012 £
In less than one year		-	63,883
In more than one year but not more than two years		-	45,458
In more than two years but not more than five years		-	-
		-	109,321
Included in current liabilities		-	(63,883)
		-	45,458

The external loan (2012) was from Big Issue Investments Limited. This was repaid in July 2012.

10 SHAREHOLDERS FUNDS

	Profit and loss account £	Share capital £	Total £
As at 1 April 2012	(76,808)	1	(76,808)
Net profit/(loss) for the year	31,294	-	31,294
As at 31 March 2013	(45,515)	1	(45,514)

The share capital comprises

	2013 £	2012 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, issued called up and fully paid		
1 Ordinary share of £1	1	1

4CHILDREN (DIRECT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2013

11 CONTINGENT LIABILITY

The bank overdraft of the immediate parent company, 4 Children (Trading) Ltd, is secured by way of a cross guarantee over the assets of 4Children (Direct) Limited

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 £1,499,538 of the company's creditors, until a surplus becomes available. 4Children (Direct) has Gift Aided taxable profit totalling £28,853 to the charity. Group accounts may be obtained from:

4Children
City Reach
5 Greenwich View Place
London
E14 8NN

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 THIS PAGE IS FOR MANAGEMENT INFORMATION ONLY

FOR THE YEAR ENDED 31 MARCH 2013

	2013		2012	
	£	£	£	£
TURNOVER				
Grants and donations	3,005,824		1,909,941	
Nursery fees	4,887,052		3,073,936	
Other income	3,195		170,646	
Out of school fees	685,961		552,894	
		8,582,032		5,707,417
COST OF SALES				
Staff costs	6,339,268		3,931,256	
Printing and publications	31,238		27,888	
Food and beverages	474,458		301,017	
Consumables	55,880		43,440	
Project costs	592,782		734,311	
		7,493,624		5,037,910
GROSS PROFIT		1,088,408		669,507
ADMINISTRATIVE EXPENSES				
Printing, postage and stationery	301		1,568	
Other staff costs	50,701		58,392	
Depreciation	97,797		74,497	
Equipment costs	48,834		63,907	
Telephone	53,549		27,657	
Travel expenses	67,754		48,865	
Premises costs	635,598		298,208	
Sundry expenses	6,013		(10,823)	
Legal and professional	15,158		12,772	
Computer maintenance	8,029		6,777	
Audit fees	12,000		10,000	
Bank charges	13,933		8,950	
		1,009,667		600,870
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		78,741		68,637
INTEREST AND GIFT AID				
Gift Aid		(28,853)		(31,294)
Interest payable		(18,594)		(37,343)
Profit/(Loss) for the financial year		<u>31,294</u>		<u>-</u>