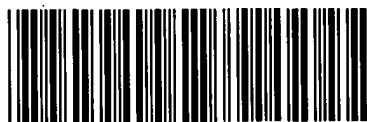


Company Registration No. 02101210 (England and Wales)

HERNE HILL SCHOOL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

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COMPANIES HOUSE

HERNE HILL SCHOOL LIMITED

COMPANY INFORMATION

Director	D Magyar
Company number	02101210
Registered office	The Old Vicarage 127 Herne Hill London SE24 9LY
Auditor	Leigh Saxton Green LLP Mutual House 70 Conduit Street London W1S 2GF

HERNE HILL SCHOOL LIMITED

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HERNE HILL SCHOOL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

The director presents the strategic report for the year ended 31 August 2018.

Fair review of the business

With net profit materialising at £252,016, the School's financial performance for the year ended 31 August 2018 was once again strong, albeit not quite as strong as the previous year's £315,826.

Turnover decreased by about £93k from the previous year's record level to £3,635,249, which still represents the second highest level of turnover in the School's history. £48k of this decrease is due to one-off, non-recurring 'other operating income' in the year ended 31 August 2017 in the form of liquidated and ascertained damages awarded from a dispute with City Sq. Solutions Limited (CSSL) about their final account of the construction of the new Kindergarten and Hall. The remaining £45k drop in turnover is due to lower revenue of school fees, which in turn was the consequence of slightly lower pupil numbers in the Pre-Prep. With annual fees for a Pre-Prep pupil amounting to nearly £15k, this represents only a small overall decrease, easily within the range of historical fluctuations.

Administrative expenses decreased by about £66k from the previous year's £3,286,561 to £3,220,450. The greatest changes were reduced 'legal and professional fees' of about £164k due to the proceedings with CSSL having concluded successfully in the year ended 31 August 2017; an increase of about £69k in 'repairs and maintenance' to proactively carry out maintenance and refurbishments; and an increase of about £46k in 'materials and consumables', which is largely due to the change of catering service providers in about May 2018 with a commensurate improvement in the School's catering provision.

As a result of this once again successful trading performance, the business' cash position and balance sheet remain strong.

Principal risks and uncertainties

The principal risk is a reduction in pupil numbers, particularly in the Pre-Prep (Reception, Year 1 and Year 2).

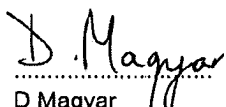
Development and performance

The School remains in a very healthy position. Parent satisfaction is extremely high, and demand for the Pre-School years of Kindergarten and Pre-Reception remains particularly strong. The main challenge going forward continues to be improving demand for the Pre-Prep. Signs are positive that efforts undertaken to this effect will materialise from the academic year 2019-20. Longer term, the very recent acquisition (9 May 2019) of an additional, nearby property (99 Herne Hill, London SE24 9LY) offers the prospect, once refurbishment works have been carried out, of expanding the Kindergarten and leveraging the strong demand for the Pre-School.

Key performance indicators

The company considers its primary key performance indicators to be turnover, operating profit and profit on ordinary activities after taxation.

On behalf of the board


D Magyar

Director

29 May 2019

HERNE HILL SCHOOL LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

The director presents his annual report and financial statements for the year ended 31 August 2018.

Principal activities

The principal activity of the company continued to be that of the provision of nursery and pre-preparatory education.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

D Magyar

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £250,000. The director does not recommend payment of a final dividend.

Post reporting date events

On 9 May 2019 the company completed the purchase of the property, 99 Herne Hill, London, SE24 9LY for £2.2 million. The purchase was funded by way of a loan facility of £2.0 million.

Auditor

The auditor, Leigh Saxton Green LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

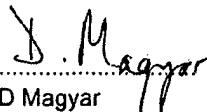
Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the exposure to business risks and credit risk.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



D Magyar
Director

Date: 29 May 2019

HERNE HILL SCHOOL LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is 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 director is 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. He is 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.

HERNE HILL SCHOOL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF HERNE HILL SCHOOL LIMITED

Opinion

We have audited the financial statements of Herne Hill School Limited (the 'company') for the year ended 31 August 2018 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 director is 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

HERNE HILL SCHOOL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF HERNE HILL SCHOOL LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

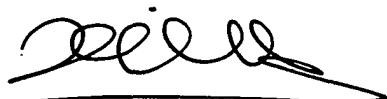
In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 the 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's member 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 member those matters we are required to state to him 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 member for our audit work, for this report, or for the opinions we have formed.



D Leigh (Senior Statutory Auditor)
for and on behalf of Leigh Saxton Green LLP

29th May, 2019

Chartered Accountants
Statutory Auditor

Mutual House
70 Conduit Street
London
W1S 2GF

HERNE HILL SCHOOL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	2017 £
Revenue	3	3,635,249	3,727,897
Administrative expenses		(3,220,450)	(3,286,561)
Other operating income		-	48,000
		<hr/>	<hr/>
Operating profit	4	414,799	489,336
Investment income	7	766	5,319
Finance costs	8	(74,927)	(69,415)
		<hr/>	<hr/>
Profit before taxation		340,638	425,240
Tax on profit	9	(88,622)	(109,414)
		<hr/>	<hr/>
Profit for the financial year		<u>252,016</u>	<u>315,826</u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

HERNE HILL SCHOOL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2018

	2018 £	2017 £
Profit for the year	252,016	315,826
Other comprehensive income	-	-
Total comprehensive income for the year	<u>252,016</u>	<u>315,826</u>

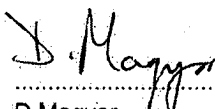
HERNE HILL SCHOOL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Non-current assets					
Goodwill	11		500		500
Property, plant and equipment	12		4,418,732		4,495,728
			<u>4,419,232</u>		<u>4,496,228</u>
Current assets					
Trade and other receivables	14	1,139,195		929,775	
Cash and cash equivalents		1,422,129		1,391,332	
		<u>2,561,324</u>		<u>2,321,107</u>	
Current liabilities	15	(2,449,308)		(2,193,726)	
Net current assets			<u>112,016</u>		<u>127,381</u>
Total assets less current liabilities			<u>4,531,248</u>		<u>4,623,609</u>
Non-current liabilities	16	(2,635,780)		(2,753,800)	
Provisions for liabilities	18	(67,054)		(43,411)	
Net assets			<u><u>1,828,414</u></u>		<u><u>1,826,398</u></u>
Equity					
Called up share capital	21	30,000		30,000	
Share premium account		2		2	
Revaluation reserve		1,137,320		1,137,320	
Retained earnings		661,092		659,076	
Total equity			<u><u>1,828,414</u></u>		<u><u>1,826,398</u></u>

The financial statements were approved and signed by the director and authorised for issue on 29 MAY 2019


D Magyar
Director

Company Registration No. 02101210

HERNE HILL SCHOOL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Retained earnings £	Total £
Balance at 1 September 2016		30,000	2	1,137,320	525,094	1,692,416
Year ended 31 August 2017:						
Profit and total comprehensive income for the year		-	-	-	315,826	315,826
Dividends	10	-	-	-	(181,844)	(181,844)
Balance at 31 August 2017		30,000	2	1,137,320	659,076	1,826,398
Year ended 31 August 2018:						
Profit and total comprehensive income for the year		-	-	-	252,016	252,016
Dividends	10	-	-	-	(250,000)	(250,000)
Balance at 31 August 2018		30,000	2	1,137,320	661,092	1,828,414

HERNE HILL SCHOOL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	25	768,135		778,984	
Interest paid		(74,927)		(69,415)	
Income taxes paid		(111,958)		(51,285)	
Net cash inflow from operating activities		581,250		658,284	
Investing activities					
Purchase of property, plant and equipment		(302,913)		(111,240)	
Proceeds on disposal of property, plant and equipment		119,714		132,443	
Interest received		766		5,319	
Net cash (used in)/generated from investing activities		(182,433)		26,522	
Financing activities					
Repayment of bank loans		(118,020)		254,400	
Dividends paid		(250,000)		(181,844)	
Net cash (used in)/generated from financing activities		(368,020)		72,556	
Net increase in cash and cash equivalents		30,797		757,362	
Cash and cash equivalents at beginning of year		1,391,332		633,970	
Cash and cash equivalents at end of year		1,422,129		1,391,332	

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

Company information

Herne Hill School Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Old Vicarage, 127 Herne Hill, London, SE24 9LY.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue is recognised at the fair value of fees received or receivable in the normal course of business.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	Over the lesser of 50 years and the period of the lease
Fixtures, fittings & equipment	25% per annum straight line
Motor vehicles	25% per annum straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Revenue

	2018	2017
	£	£
Revenue analysed by class of business		
School fees	3,635,249	3,727,897

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

3 Revenue (Continued)

	2018 £	2017 £
Other significant revenue		
Interest income	766	5,319

	2018 £	2017 £
Revenue analysed by geographical market		
United Kingdom	3,635,249	3,727,897

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	7,620	3,760
Depreciation of owned property, plant and equipment	260,195	236,825

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2018 Number	2017 Number
64	67

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,693,449	1,675,905
Social security costs	162,318	158,842
Pension costs	130,728	160,203
	1,986,495	1,994,950

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

6 Director's remuneration

	2018 £	2017 £
Remuneration for qualifying services	136,423	121,669
Company pension contributions to defined contribution schemes	10,000	54,167
	<u>146,423</u>	<u>175,836</u>

7 Investment income

	2018 £	2017 £
Interest income		
Interest on bank deposits	766	319
Other interest income	-	5,000
	<u>766</u>	<u>5,319</u>
Total income	<u>766</u>	<u>5,319</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>766</u>	<u>319</u>
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8 Finance costs

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>74,927</u>	<u>69,415</u>

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	64,979	96,366
Adjustments in respect of prior periods	-	15,592
	<u>64,979</u>	<u>111,958</u>
Total current tax	<u>64,979</u>	<u>111,958</u>
Deferred tax		
Origination and reversal of timing differences	<u>23,643</u>	<u>(2,544)</u>
Total tax charge	<u>88,622</u>	<u>109,414</u>

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	340,638	425,240
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.58%)	64,721	83,262
Tax effect of expenses that are not deductible in determining taxable profit	50,882	12,712
Permanent capital allowances in excess of depreciation	23,643	-
Under/(over) provided in prior years	-	15,592
Difference in tax rates	-	(2,152)
Capital allowances	(50,624)	-
Taxation charge for the year	88,622	109,414

10 Dividends

	2018 £	2017 £
Interim paid	250,000	181,844

11 Intangible fixed assets

	Goodwill £
Cost	
At 1 September 2017 and 31 August 2018	30,500
Amortisation and impairment	
At 1 September 2017 and 31 August 2018	30,000
Carrying amount	
At 31 August 2018	500
At 31 August 2017	500

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

12 Property, plant and equipment

	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 September 2017	-	4,369,630	1,008,237	32,652	5,410,519
Additions	92,500	5,790	204,623	-	302,913
Disposals	-	(119,714)	-	-	(119,714)
At 31 August 2018	92,500	4,255,706	1,212,860	32,652	5,593,718
Depreciation and impairment					
At 1 September 2017	-	149,297	759,635	5,859	914,791
Depreciation charged in the year	-	150,012	101,395	8,788	260,195
At 31 August 2018	-	299,309	861,030	14,647	1,174,986
Carrying amount					
At 31 August 2018	92,500	3,956,397	351,830	18,005	4,418,732
At 31 August 2017	-	4,220,333	248,602	26,793	4,495,728

The leasehold land and buildings were valued at £4,500,000 on an open market basis by Gerald Eve, a firm of independent Chartered Surveyors on 30 June 2016.

If these properties were sold for their revalued amounts it would be necessary to replace them with similar property, and rollover relief against tax on the gain would be available. Accordingly, no timing differences arise and no provision has been made for deferred tax in respect of the revaluation.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2018 £	2017 £
Cost	3,925,513	3,946,937
Accumulated depreciation	(1,013,935)	(863,923)
Carrying value	2,911,578	3,083,014

13 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,105,973	896,167
Carrying amount of financial liabilities		
Measured at amortised cost	4,969,481	4,805,555

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

14 Trade and other receivables

	2018 £	2017 £
Amounts falling due within one year:		
Trade receivables	618,250	376,516
Other receivables	487,723	519,651
Prepayments and accrued income	33,222	33,608
	<u>1,139,195</u>	<u>929,775</u>

15 Current liabilities

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	118,020	118,020
Trade payables		219,567	106,124
Corporation tax		64,979	111,958
Other taxation and social security		50,628	30,013
Other payables		1,933,713	1,725,757
Accruals and deferred income		62,401	101,854
		<u>2,449,308</u>	<u>2,193,726</u>

16 Non-current liabilities

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	<u>2,635,780</u>	<u>2,753,800</u>
Amounts included above which fall due after five years are as follows:			
Payable by instalments		<u>2,045,680</u>	<u>2,163,700</u>

17 Borrowings

	2018 £	2017 £
Bank loans	<u>2,753,800</u>	<u>2,871,820</u>
Payable within one year	118,020	118,020
Payable after one year	<u>2,635,780</u>	<u>2,753,800</u>

The long-term loans are secured by fixed and floating charges over the assets of the company.

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

17 Borrowings

(Continued)

The repayment term for the bank loan of £1.5005m is 25 years at an interest rate of 2.0% above base per annum. The repayment term for the bank loan of £1.4m is 25 years at an interest rate of 2.84% per annum fixed until 2021 and 2.0% above base per annum from then on.

18 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	19	67,054	43,411

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	67,054	43,411
Movements in the year:		2018 £
Liability at 1 September 2017		43,411
Charge to profit or loss		23,643
Liability at 31 August 2018		67,054

The deferred tax liability set out above is expected to reverse in the future.

20 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	130,728	160,203

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

HERNE HILL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

21 Share capital

	2018 £	2017 £
Ordinary share capital Issued and fully paid 30,000 "A" Ordinary shares of £1 each	30,000	30,000

22 Financial commitments, guarantees and contingent liabilities

The company have provided a guarantee to HSBC Bank plc on behalf of its parent company Dunsford Education Limited. The amount of the guarantee is £825,000. This is secured by a fixed and floating charge over the assets of the company.

23 Events after the reporting date

On 9 May 2019 the company completed the purchase of the property, 99 Herne Hill, London, SE24 9LY for £2.2 million. The purchase was funded by way of a loan facility of £2.0 million.

24 Directors' transactions

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Loan	-	54	385	(420)	19
		54	385	(420)	19

25 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	252,016	315,826
Adjustments for:		
Taxation charged	88,622	109,414
Finance costs	74,927	69,415
Investment income	(766)	(5,319)
Depreciation and impairment of property, plant and equipment	260,195	236,825
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(209,420)	41,427
Increase in trade and other payables	302,561	11,396
Cash generated from operations	768,135	778,984

HERNE HILL SCHOOL LIMITED
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2018

HERNE HILL SCHOOL LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

		2018		2017
	£	£	£	£
Revenue				
Fees received		3,635,249		3,727,897
Other operating income				
Sundry income		-		48,000
Administrative expenses		(3,220,450)		(3,286,561)
Operating profit		414,799		489,336
Investment income				
Bank interest received	766		319	
Other interest received	-		5,000	
		766		5,319
Finance costs				
Bank interest on loans and overdrafts		(74,927)		(69,415)
Profit before taxation	9.37%	340,638	11.41%	425,240

HERNE HILL SCHOOL LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 AUGUST 2018

	2018 £	2017 £
Administrative expenses		
Wages and salaries	1,563,176	1,541,105
Social security costs	162,318	158,842
Medical insurance	6,938	9,751
Payroll expenses	3,335	3,380
Staff recruitment costs	1,571	1,800
Staff welfare	20,882	19,845
Courses and conferences	14,756	24,830
Staff pension costs defined contribution	120,728	106,036
Directors' remuneration	120,000	121,669
Directors' pension costs - defined contribution scheme	10,000	54,167
Materials and consumables	328,873	283,083
Rent re licences and other	11,712	11,724
Rates	27,493	27,475
Cleaning	59,569	52,766
Power, light and heat	27,395	27,358
Repairs and maintenance	248,589	179,243
Insurance	28,377	30,027
Motor running expenses	1,218	1,365
Travelling expenses	9,804	3,555
Professional subscriptions	23,688	12,662
Legal and professional fees	50,040	213,736
Consultancy fees	19,690	-
Accountancy	24,397	47,918
Audit fees	7,620	3,760
Charitable donations	682	(77)
Bank charges	7,855	5,109
Bad and doubtful debts	2,335	22,592
Printing, postage and stationery	23,676	34,977
Newspapers & magazines	607	429
Advertising	11,745	25,017
Telecommunications	7,239	7,311
Entertaining	6,269	5,349
Sundry expenses	3,405	4,596
Meals and refreshments	2,938	4,076
Gifts	1,335	4,260
Depreciation	260,195	236,825
	<u>3,220,450</u>	<u>3,286,561</u>