

PORSE IN-HOME CHILDCARE (NZ) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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| | |
|--------------------|---|
| Nature of Business | Providers of Early Childhood Services |
| Registered Office | 31 Napier Road HAVELOCK NORTH |
| Directors | Jennifer L Yule Paul T Houlahan (Resigned 31/1/2012) Alwyn J Burr |
| Auditors | Gardiner Knobloch NAPIER |
| Solicitors | Sainsbury, Logan & Williams NAPIER |
| Bankers | National Bank of NZ Limited Kiwi Bank Limited NAPIER |
| Business Location | 31 Napier Road HAVELOCK NORTH |

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PORSE IN-HOME CHILDCARE (NZ) LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors present their Annual Report, including Financial Statements for the Year ended 31 December 2011.

1 PRINCIPAL ACTIVITIES

The Principal Activity during the period was the provision of early childhood services.

2 REVIEW OF OPERATIONS

Set out hereunder is a summary of the Operating Results and Financial Position -

| | <u>31/12/11</u> | <u>31/12/10</u> |
|--|---------------------|---------------------|
| Surplus before Depreciation and Taxation | 2,541,339 | 2,166,186 |
| Plus(Less) - | | |
| Depreciation | (637,781) | (532,392) |
| Surplus before Taxation | 1,903,558 | 1,633,794 |
| Taxation | (543,251) | (554,206) |
| Surplus after Taxation | \$ 1,360,307 | \$ 1,079,589 |

Financial Position -

When Shareholder Loan Accounts are taken into consideration the overall financial position was:

| | | |
|-------------------------------|---------------------|---------------------|
| Total Shareholders Equity | 2,883,050 | 1,722,743 |
| Shareholders Current Accounts | 144,422 | 411,154 |
| Shareholders Loan Accounts | 82,353 | 100,000 |
| | \$ 3,109,824 | \$ 2,233,897 |

This overall position is considered to be satisfactory.

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer L Yule, Paul T Houlahan and Alwyn J Burr.

4 REMUNERATION OF DIRECTORS

The Remuneration of the Director/Shareholders was -

| | <u>31/12/11</u> | <u>31/12/10</u> |
|--|-------------------|-------------------|
| Jennifer L Yule | 279,353 | 328,244 |
| Paul T Houlahan | 177,453 | 338,244 |
| David C Yule | 64,125 | 73,303 |
| | \$ 520,931 | \$ 739,791 |
| Alwyn J Burr Chartered Accountant Ltd - Accounting Services provided | \$ 134,960 | \$ 116,429 |

5 REMUNERATION OF EMPLOYEES

The number of employees, who are not Directors, whose remuneration and benefits exceeded \$100,000 in the financial year were -

| | | |
|-----------------------|---|---|
| \$100,001 - \$110,000 | 1 | - |
| \$140,000 - \$150,000 | 1 | - |

6 ENTRIES IN THE INTERESTS REGISTER

Directors have declared interests in the following transactions with other Companies in which Jennifer L Yule and Paul T Houlahan had an interest.

PORSE Franchising (NZ) Limited -

| | | |
|---------------------------------------|---------------------|---------------------|
| Management Fee Received | 624,000 | 624,000 |
| Royalties and Marketing Charges | (341,848) | (504,695) |
| Various Advances (Payable)/Receivable | (721,338) | (718,735) |
| | \$ (439,186) | \$ (599,430) |

Balances at 31 December were -

| | | |
|---------------------------|---------------------|---------------------|
| Accounts Receivable | 94,277 | 273,294 |
| Accounts Payable | (872,709) | (612,540) |
| Net Amount Payable | \$ (778,432) | \$ (339,246) |

PORSE Education & Training (NZ) Limited -

| | | |
|--|---------------------|---------------------|
| Management Fee Received | 150,000 | 150,000 |
| Charges and Advances for various Expense Items paid on usual terms of trade. | (486,187) | (573,223) |
| | \$ (336,187) | \$ (423,223) |

Balances at 31 December were -

| | | |
|---------------------------|-----------------------|---------------------|
| Accounts Receivable | 92,833 | 159,020 |
| Accounts Payable | (1,345,140) | (1,075,140) |
| Net Amount Payable | \$ (1,252,307) | \$ (916,120) |

PALJYN Investments Limited -

| | | |
|-------------|------------|------------|
| Rental Paid | \$ 322,920 | \$ 322,920 |
|-------------|------------|------------|

There were no amounts owing to or by PALJYN Investments Limited at balance date.

7 SHARE TRANSACTIONS

The following shares were transferred on 2nd May 2011 -

Transfer from Paul T Houlahan to Jennifer L Yule

Transfer from Paul T Houlahan to David C Yule

Transfer from Paul T Houlahan to The Rugosa Trust

10,000 Voting Shares

14,000 Non-voting Shares

26,000 Non-voting Shares

8 DONATIONS

Donations made during the year totalled

| | <u>31/12/11</u> | <u>31/12/10</u> |
|----|-----------------|-----------------|
| \$ | 2,953 | \$ 1,200 |

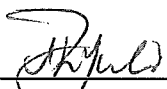
9 AUDITORS

Amount paid to the Auditors for auditing services

| | | |
|----|-------|-----------|
| \$ | 7,252 | \$ 10,080 |
|----|-------|-----------|


The Auditors did not provide any other services during the year.

For and on behalf of the Board



18/4/2012

Date



18/4/2012

Date

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Comprehensive Income for the Year ended 31 December 2011

| Continuing Operations | Notes | 31/12/11 | 31/12/10 |
|---|---------------|--------------------------|--------------------------|
| Revenue | | \$ | \$ |
| Ministry of Education Funding | | 26,089,632 | 23,864,158 |
| Franchise Payments | | (5,405,487) | (6,358,407) |
| | | <u>20,684,145</u> | <u>17,505,751</u> |
| Ministry of Education Funding - Provisionally Registered Teachers | 16 | 27,225 | 54,092 |
| Sundry Income | | 645,730 | 600,485 |
| Depreciation Recovered on Asset Sales | | 21,157 | - |
| Wage Administration Charges | | 857,510 | 782,220 |
| Management Fees from Associated Companies | | 774,000 | 774,000 |
| Total Revenue | | <u>23,009,767</u> | <u>19,716,547</u> |
| Expenses | | | |
| Direct Operational Expenses | | | |
| Personnel Expenses - National Support Office | | 3,096,223 | 2,515,186 |
| Personnel Expenses - Managed Areas | | 7,448,758 | 6,573,247 |
| Porse Subsidies & Placement Fees | | 2,669,725 | 2,362,167 |
| Royalties and Marketing Charges | | 341,848 | 504,695 |
| Porse Programme Delivery Resources | | 918,096 | 828,348 |
| Professional Development & Other Personnel Expenses | | 338,780 | 362,077 |
| Conferences & Sundry Expenses | | 29,979 | 155,098 |
| Total Direct Operational Expenses | | <u>14,843,410</u> | <u>13,300,818</u> |
| Gross Margin | | <u>8,166,357</u> | <u>6,415,730</u> |
| % to Total Revenue | | 35.49% | 33.59% |
| Overhead Expenses | | | |
| AC Levies | | 78,566 | 60,166 |
| Accountancy Fees | | 134,960 | 116,429 |
| Audit Fees | | 7,252 | 10,080 |
| Advertising and Promotion | | 1,127,265 | 825,565 |
| Bank Charges | | 57,687 | 55,166 |
| Computer Expenses | | 139,967 | 171,389 |
| Database Maintenance | | 104,343 | - |
| Donations | | 2,953 | 1,200 |
| Entertainment | | 25,945 | 18,339 |
| Fringe Benefit Tax | | 231,885 | 199,843 |
| Insurances | | 73,711 | 8,633 |
| Legal Fees | | 68,746 | 49,934 |
| Motor Vehicle Expenses | | 945,625 | 822,395 |
| Office Supplies, Printing, Stationery Photocopying and Courier | | 303,829 | 317,615 |
| Relocation Expenses | | 4,343 | - |
| Rental, Rates and Premises Expenses | | 1,593,189 | 1,389,946 |
| Repairs & Maintenance | | 32,414 | - |
| Subscriptions | | 6,849 | 8,270 |
| Sundry Expenses | | 292,356 | 65,534 |
| Telephone & IT Expenses | | 499,800 | 360,892 |
| Travel & Accommodation | | 266,634 | 42,745 |
| Total Overhead Expenses | | <u>5,998,319</u> | <u>4,524,140</u> |
| Total Expenses | | <u>20,841,729</u> | <u>17,824,958</u> |
| Surplus before Depreciation | | <u>2,168,038</u> | <u>1,891,590</u> |
| Less Depreciation | | 637,781 | 532,392 |
| | | <u>637,781</u> | <u>532,392</u> |
| Results from Operating Activities | | <u>1,530,257</u> | <u>1,359,198</u> |
| Finance Income | Interest | 374,772 | 310,812 |
| Dividends | Dividends | 1,954 | |
| | | <u>376,726</u> | <u>310,812</u> |
| Finance Costs | Interest paid | 3,425 | 36,215 |
| Net Finance Income | | <u>373,301</u> | <u>274,597</u> |
| Profit before Tax | | <u>1,903,558</u> | <u>1,633,795</u> |
| Taxation | 3 | 543,251 | 554,206 |
| Total Comprehensive Income | | <u>1,360,307</u> | <u>1,079,589</u> |

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Comprehensive Income for the Year ended 31 December 2011

| | <u>31/12/11</u> | <u>31/12/10</u> |
|---|---------------------|---------------------|
| Comprehensive Income attributable to - | | |
| Company Shareholders | 1,360,307 | 1,079,589 |
| Non- controlling interests | - | - |
| | <u>\$ 1,360,307</u> | <u>\$ 1,079,589</u> |
| Earnings per Share - | | |
| Basic earnings per share - | | |
| No of Shares issued | 500,000 | 500,000 |
| Basic Earnings per share | \$ 2.72 | \$ 2.16 |

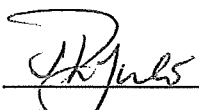
Statement of Changes in Equity during the Year ended 31 December 2011

| | Notes | <u>31/12/11</u> | <u>31/12/10</u> |
|---|-------|-------------------------|-------------------------|
| | | \$ | \$ |
| Equity at 1 January 2011 | | 1,722,743 | 1,318,154 |
| Total Comprehensive Income | | 1,360,307 | 1,079,589 |
| Transactions with Owners of the Company - | | | |
| Dividends declared | | (200,000) | (675,000) |
| Transactions with Owners of the Company | | <u>(200,000)</u> | <u>(675,000)</u> |
| Equity at 31 December 2011 | | <u>2,883,050</u> | <u>1,722,743</u> |

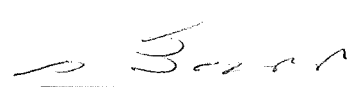
PORSE IN-HOME CHILDCARE (NZ) LIMITED
Statement of Financial Position as at 31 December 2011

| | Notes | 31/12/11 | 31/12/10 |
|---|------------|--------------------------|--------------------------|
| | | \$ | \$ |
| Assets | | | |
| Current Assets | 4 | | |
| Bank Accounts - | | | |
| National Bank Operating Accounts | | 7,994,622 | 1,692,857 |
| Term Deposit & Savings Accounts - | | | |
| National Bank | | 3,012,116 | 4,178,365 |
| Kiwi Bank | | 1,008,898 | 5,538,696 |
| | | <u>12,015,636</u> | <u>11,409,918</u> |
| MOE Funding in Advance | 4.1 | (4,711,150) | (4,654,284) |
| | | <u>7,304,485</u> | <u>6,755,634</u> |
| Petty Cash and Rent Bonds | | 9,174 | 26,366 |
| Accounts Receivable - | | | |
| MOE Funding due | | 598,339 | 877,522 |
| Sundry | | 452,323 | 198,938 |
| Intergroup Receivables | 4.2 | 187,110 | 432,314 |
| Inland Revenue Dept - | | | |
| Income Tax | 3.1 | 138,312 | 140,898 |
| Prepayments | | 89,280 | 59,128 |
| Stock on Hand - Marketing Items | | 230,680 | 131,508 |
| Total of Current Assets | | <u>9,009,703</u> | <u>8,622,307</u> |
| Non - Current Assets | 5 | | |
| Property, Plant & Equipment | 5.1 | | |
| Leasehold Improvements | | 307,818 | 356,500 |
| Office Plant Furniture & Equipment | | 1,069,675 | 844,976 |
| Signage | | 191,521 | 142,770 |
| Motor Vehicles | | 319,636 | 241,480 |
| | | <u>1,888,650</u> | <u>1,585,726</u> |
| Total of Non - Current Assets | | <u>1,888,650</u> | <u>1,585,726</u> |
| Total Assets | | <u>10,898,353</u> | <u>10,208,033</u> |
| Liabilities | | | |
| Current Liabilities | 6 | | |
| Accounts Payable - | | | |
| Sundry | 6.1 | 4,084,562 | 4,653,253 |
| Accident Compensation Contributions | 6.2 | 65,599 | 181,389 |
| Intergroup Payables | 6.3 | 2,217,849 | 1,687,680 |
| Inland Revenue Dept - | | | |
| GST | | 1,371,191 | 1,451,814 |
| Deferred Tax on Timing Differences | 3.1 | 49,327 | - |
| Shareholder's Current Accounts | | 144,422 | 411,154 |
| | | <u>7,932,950</u> | <u>8,385,290</u> |
| Total of Current Liabilities | | <u>7,932,950</u> | <u>8,385,290</u> |
| Non - Current Liabilities | 7 | | |
| Shareholders Loan Accounts | 7.1 | 82,353 | 100,000 |
| | | <u>82,353</u> | <u>100,000</u> |
| Total of Non - Current Liabilities | | <u>82,353</u> | <u>100,000</u> |
| Total Liabilities | | <u>8,015,303</u> | <u>8,485,290</u> |
| Net Assets | | <u>2,883,050</u> | <u>1,722,743</u> |
| Shareholders Equity | | | |
| Capital | | | |
| 500,000 shares paid to | | 500,000 | 500,000 |
| Retained Earnings | 8 | 2,383,050 | 1,222,743 |
| Total Shareholders Equity | | <u>2,883,050</u> | <u>1,722,743</u> |

Director


Date 18/4/2012

Director


Date 18/4/2012

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Cash Flows for the year ended 31 December 2011

| | <u>31/12/11</u> | <u>31/12/10</u> |
|---|---------------------|---------------------|
| | \$ | \$ |
| Cash Flows from Operating Activities | | |
| Cash was provided from - | | |
| Receipts from Ministry of Education & Sundry | 28,743,965 | 26,155,286 |
| MOE Funding paid in Advance | 1,111 | 722,110 |
| Finance Income | 278,204 | 176,394 |
| Net GST | (80,623) | 382,689 |
| | <u>28,942,657</u> | <u>27,436,479</u> |
| Cash was disbursed to - | | |
| Personnel Expenses | (10,544,981) | (8,775,361) |
| Payments to Franchisees | (5,405,487) | (6,358,407) |
| Payments to Suppliers of Services | (10,326,225) | (8,635,767) |
| Interest Paid | (3,425) | (36,215) |
| Taxation (Paid) Refund | (648,928) | (506,854) |
| | <u>(26,929,047)</u> | <u>(24,312,604)</u> |
| Net Cash Flows from Operating Activities | 2,013,610 | 3,123,875 |
| Cash Flows from Investing Activities | | |
| Cash was provided from - | | |
| Petty Cash and Bond Deposits | 17,192 | - |
| Term Deposits and Savings Accounts | 5,696,047 | - |
| Sale proceeds from Property, Plant & Equipment | 35,555 | - |
| | <u>5,748,794</u> | <u>-</u> |
| Cash was disbursed to - | | |
| Petty Cash and Bond Deposits | - | (1,046) |
| Term Deposits and Savings Accounts | - | (1,825,650) |
| Purchase of Property, Plant & Equipment | (976,259) | (899,852) |
| | <u>(976,259)</u> | <u>(2,726,548)</u> |
| Net Cash Inflow (Outflow) from Investing Activities | 4,772,535 | (2,726,548) |
| Cash Flows from Financing Activities | | |
| Cash was provided from - | | |
| MOE Funding in Advance | - | - |
| | <u>-</u> | <u>-</u> |
| Cash was disbursed to - | | |
| Payments to Shareholders | (484,380) | (359,273) |
| | <u>(484,380)</u> | <u>(359,273)</u> |
| Net Cash Inflow (Outflow) from Financing Activities | (484,380) | (359,273) |
| Net Increase (Decrease) in Cash held | 6,301,765 | 38,054 |
| Cash at the beginning of the Year | 1,692,857 | 1,654,803 |
| Cash at end of Year | 7,994,622 | 1,692,857 |
| Bank Balances as per Statement of Financial Position | | |
| Bank Accounts | 7,994,622 | 1,692,857 |
| Total Bank Balances | 7,994,622 | 1,692,857 |

PORSE IN-HOME CHILDCARE (NZ) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

PORSE In-Home Childcare (NZ) Limited is a company incorporated in New Zealand and registered under the Companies Act 1993.

The Company is a reporting entity for the purpose of the Financial Reporting Act 1993.

The Company is involved in the provision of early childhood services.

The Financial Statements were authorised for issue by the Board of Directors on 18 April 2012

Statement of Compliance

The Financial Statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) as represented by the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS).

For this purpose the Company has designated itself as profit-orientated. The Financial Statements comply with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Company.

The information is presented in New Zealand dollars.

Use of Estimates and Judgements

The preparation of Financial Statements in conformity with NZ IFRS requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future period affected.

2 SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and the financial position of the Company have been applied consistently to all periods presented in these Financial Statements.

(a) Property, Plant and Equipment

PORSE In-Home Childcare (NZ) Ltd has four classes of Property, Plant & Equipment.

- Leasehold Improvements
- Office, Plant, Furniture and Equipment
- Signage
- Motor Vehicles

All Property, Plant and Equipment are initially recorded at cost.

When an item of Fixed Assets is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a diminishing value basis on all tangible Property, Plant & Equipment at depreciation rates calculated to allocate the assets' cost or valuation, less estimated residual value, over the estimated useful life of the assets.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

Major depreciation periods are -

| | |
|---------------------------------------|---------------|
| Leasehold Improvements | 5 to 15 years |
| Office Plant, Furniture and Equipment | 5 to 15 years |
| Signage | 5 to 15 years |
| Motor Vehicles | 5 to 8 years |

(b) **Impairment of Assets**

At each reporting date, the carrying value of the tangible and intangible assets are reviewed by the Directors to determine whether there is any indication of impairment.

If such impairment exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted for their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the related component of the revaluation reserve, with any remaining impairment loss expensed in profit or loss.

If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

For assets which are not revalued, an impairment loss is expensed immediately in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(c) **Share Capital**

Ordinary shares and preference shares redeemable for ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of the issue.

(d) **Taxation**

(d)(i) **Income Tax**

The Income Tax expense charged in the Statement of Comprehensive Income includes both the current year provision and the Income Tax effect of -

Taxable temporary difference; and

Deductible temporary differences to the extent that it is probable they will be utilised.

Temporary differences arising from transactions affecting neither accounting profit nor taxable profit are ignored.

Tax effect accounting is applied on a comprehensive basis to all temporary differences using the liability method.

A deferred tax asset is only recognised to the extent that it is probable there will be a future taxable profit to utilise the temporary differences.

(d)(ii) **Goods & Services Tax**

The Financial Statements are prepared on a GST exclusive basis except where the expenditure incurring the GST charge is one in respect of which a claim for recovery of the GST is not allowed by the Inland Revenue Department. In these cases and in respect of Accounts Receivable and Accounts Payable, other than MOE Funding due, the amounts include GST.

(e) **Accounts Receivable**

Accounts Receivable are valued at expected realisable value after writing off any debts considered non-collectible.

(f) **Stock on Hand - Marketing Items**

Stock on hand is valued at the lower of cost on a first in first out basis, and net realisable value.

(g) **Leases**

The Company leases certain Plant & Equipment, Motor Vehicles and Land & Buildings.

Finance Leases

Finance Leases, which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the Company is expected to benefit from their use.

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

(h) **Financial Instruments**

Financial Instruments include cash and cash equivalents, trade debtors and other receivables, investments in and loans to others, trade creditors and other payables and borrowings. These financial instruments may include guarantees.

The Company does not have off balance sheet financial instruments.

Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to cash flows from the financial assets expire, or when the financial asset and all subsequent risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and liabilities are initially measured at fair value. The initial measurement of other financial instruments is also based on fair value, but adjusted in respect of any transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement of financial assets.

The subsequent measurement of financial assets depends on their classification. Financial assets are classified as subsequently measured at either amortised cost or fair value on the basis of both the purpose and nature of the financial asset's contractual cash flows.

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss through the amortisation process, when the financial asset is decognised, impaired or reclassified.

A gain or loss on a financial asset that is measured at fair value is recognised in profit or loss unless the financial asset is an equity instrument where the Company has elected to recognise gain or losses through other comprehensive income.

Subsequent measurement of financial liabilities

At initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities designated as being measured at fair value through profit or loss (i.e. derivatives)

All gains and losses recognised on financial liabilities whether measured at amortised cost or fair value are reported in the profit or loss for the period.

Reclassification of financial instruments.

If measurement of a financial asset or liability is reclassified from amortised to fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and the fair value is recognised in the reported profit or loss.

If measurement of a financial asset or liability is reclassified from fair value to amortised cost, its fair value at the reclassification becomes the new carrying amount.

(h)(i) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less.

(h)(ii) Receivables and Payables

Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). Except for a few customers with extended credit terms the resulting carrying amount for receivables is not materially different from estimated realisable value.

(h)(iii) Borrowings

Borrowings are initially recorded at fair value net of transaction costs incurred, and subsequently at amortised cost using the effective interest method.

(h)(iv) Guarantees

Guarantees granted to parties outside the Company are initially measured at fair value. The income is recognised evenly over the term of the contract. Losses from financial guarantees are recognised by the Company when it assesses that it is more likely than not to become liable for the outstanding balances.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company the revenue can be reliably measured. Revenue is measured at the fair value for consideration receivable.

The Company assesses revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only a portion of revenue is earned on the Company's own account is recognised as gross revenue in the Statement of Comprehensive Income.

(j) Employee Entitlements

Liabilities for annual leave, sick leave and long service leave are accrued and recognised in the statement of financial position.

Annual leave and sick leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. For sick leave this is based on the unused entitlement accumulated at balance date and expected to be utilised in the future.

For long service leave the liability is equal to the present value of the estimated future cash outflows as a result of employee service provided at balance date.

(k) Provisions

The Company recognises a provision for future expenditure of uncertain amount or timing where there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the obligation.

(l) **Statement of Cash Flows**

The Statement of Cash flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the statement of cash flows are –

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company as part of its day-to-day cash management.

"Investing Activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

"Financing Activities" are those activities relating to changes in equity and debt capital structure of the company and those activities relating to the cost of servicing the company's equity capital.

"Operating Activities" include all transactions and other events that are not investing or financing activities.

2.1 Changes in Accounting Policies

There has been one change in accounting policies, which is the inclusion of deferred tax on temporary differences. This has had the effect of increasing the overall tax liability for deferred tax by \$49,327. Apart from this change all policies have been applied on bases consistent with those used in the previous year.

3 TAXATION

3.1 Income Tax

| | <u>31/12/11</u> | <u>31/12/10</u> |
|--|---------------------|---------------------|
| | \$ 543,251 | \$ 554,206 |
| Surplus before Taxation | 1,903,558 | 1,633,794 |
| Permanent Taxation adjustments | 41,737 | 8,428 |
| | \$ 1,945,295 | \$ 1,642,222 |
| Timing Difference Taxation adjustments | \$ (176,168) | \$ 205,147 |
| Income for Taxation purposes | \$ 1,769,127 | \$ 1,847,369 |
| Tax at 28c in \$ (2010 30c in \$) | 495,356 | 554,211 |
| Imputation credits received | (792) | - |
| Adjustment for prior period | (640) | (5) |
| Taxation as above | \$ 493,924 | \$ 554,206 |
| Taxation for Year as above | \$ 494,564 | \$ 554,211 |
| RWT, Imputation Credits and Provisional Tax paid | 632,875 | 695,109 |
| Balance Owing (Refund) at Balance Date | \$ (138,312) | \$ (140,898) |
| Deferred Tax on Timing Differences | \$ 49,327 | |
| Total Taxation as per Statement of Comprehensive Income | \$ 543,251 | |

3.2 Imputation Credit Account

| | | |
|---|---------------------|-------------------|
| Opening balance of available Imputation Credits | 663,599 | 330,968 |
| Plus Net Taxes paid during the year available for credits | 651,533 | 506,856 |
| RWT on Interest | 104,090 | 95,951 |
| IC attached to Dividends | 792 | 111 |
| Less Transfers, refunds and adjustments | (2,615) | 18,998 |
| Credits attributed to Dividends declared | (85,714) | (289,285) |
| Closing Balance (Debit) | \$ 1,331,685 | \$ 663,599 |

4 CURRENT ASSETS

4.1 MOE Funding in Advance

This comprises -

| | | |
|--|-----------|-----------|
| (a) Ministry of Education ECE Funding Subsidy and 20 Hours ECE Advance Funding | 4,655,394 | 4,654,284 |
| These are prepayments made by the Ministry of Education for periods beyond 31 December and have been offset against funds held instead of treating as Current Liabilities. | | |
| (b) Equity Funding | 55,756 | - |
| Advance payments which have yet to be expended on the equity objectives approved by the Ministry of Education. | | |

| | |
|---------------------|---------------------|
| \$ 4,711,150 | \$ 4,654,284 |
| \$ 187,110 | \$ 432,314 |
| \$ 187,110 | \$ 432,314 |

4.2 Intergroup Receivables

Advances to -

| | | |
|-------------------------------------|--------|---------|
| PORSE Education & Training (NZ) Ltd | 92,833 | 159,020 |
| PORSE Franchising (NZ) Ltd | 94,277 | 273,294 |

| | |
|-------------------|-------------------|
| \$ 187,110 | \$ 432,314 |
|-------------------|-------------------|

The Advances are repayable on demand and are not subject to Interest.

5 NON - CURRENT ASSETS

| | |
|---------------------|---------------------|
| \$ 1,888,650 | \$ 1,585,726 |
|---------------------|---------------------|

5.1 See Property Plant & Equipment Schedule - Page 15.

5.2 Impairment -

Leasehold Improvements, Office Plant, Furniture and Equipment, Signage and Motor Vehicles have been tested for impairment during the year.

As a result an Impairment Loss of Nil (2010 Nil) was recognised as an Expense in the Statement of Comprehensive Income. (2010 nil)

| | | | |
|------------|---|----------------------------|----------------------------|
| 6 | CURRENT LIABILITIES | 31/12/11 | 31/12/10 |
| 6.1 | Accounts Payable - Sundry | \$ 4,084,562 | \$ 4,653,253 |
| | Employee entitlements | 1,421,146 | 1,504,323 |
| | WINZ Subsidies held | 296,570 | 398,638 |
| | Income Tax Instalment due 28 January 2011 | 123,116 | 377,274 |
| | Sundry Creditors for supplies and expenses | 2,243,730 | 2,373,018 |
| | | <u>\$ 4,084,562</u> | <u>\$ 4,653,253</u> |
| 6.2 | Accident Compensation Contributions. | \$ 65,599 | \$ 181,389 |
| | Amounts due for accident compensation contributions received from Families. | | |
| 6.3 | Intergroup Payables | \$ 2,217,849 | \$ 1,687,680 |
| | Owing to (by) PORSE Franchising (NZ) Limited | 872,709 | 612,540 |
| | Owing to (by) PORSE Education & Training (NZ) Limited | 1,345,140 | 1,075,140 |
| | | <u>\$ 2,217,849</u> | <u>\$ 1,687,680</u> |
| 7 | NON CURRENT LIABILITIES | | |
| 7.1 | Shareholders Loan Accounts | \$ 82,353 | \$ 100,000 |
| | These are Loans from Shareholders and are not repayable within twelve months from 31 December 2011 unless utilised for an increase in Shareholders Capital. Interest is not payable on the Loans | | |
| 8 | RETAINED EARNINGS | \$ 2,383,050 | \$ 1,222,743 |
| | Opening Balance | 1,222,743 | 818,154 |
| | Surplus after Taxation | 1,360,307 | 1,079,589 |
| | Plus (Less) | | |
| | Dividends declared | (200,000) | (675,000) |
| | Closing Balance | <u>\$ 2,383,050</u> | <u>\$ 1,222,743</u> |
| 9 | FINANCIAL INSTRUMENTS | | |
| 9.1 | Credit Risks | | |
| | Financial Instruments which potentially subject the Company to credit risk, consist of Bank Balances and Accounts Receivable. The Company performs credit evaluations of all customers requiring credit and generally does not require collateral security. | | |
| | Maximum exposure to credit risk at balance date are - | 31/12/11 | 31/12/10 |
| | Bank Operating Accounts | \$ 7,994,622 | \$ 1,692,857 |
| | Term Deposits and Savings | \$ 4,021,014 | \$ 9,717,061 |
| | MOE Funding due | \$ 598,339 | \$ 877,522 |
| | Intergroup Receivables | \$ 187,110 | \$ 432,314 |
| | Accounts Receivable | \$ 452,323 | \$ 198,938 |
| | Income Tax Refund | \$ 138,312 | \$ 140,898 |
| | The above maximum exposures are net of any recognised provision for losses on these Financial Instruments and collateral is not held on any of the above amounts. | | |
| 9.2 | Concentrations of Credit Risk | | |
| | The Company is reliant on the Ministry of Education for the provision of funding to carry out the services it provides throughout New Zealand. The percentage of Total Revenue is 89.0%. | | |
| 9.3 | Currency Risk | | |
| | The Company does not have any exposure to currency risks. | | |
| 9.4 | Interest Rate Risk | | |
| | Assets - The Company has funds on deposit and is subject to variations in interest rates on those deposits. | | |
| | Liabilities - Nil | | |
| 9.5 | Credit Facilities | | |
| | The Company uses credit facilities from time to time. | | |
| 9.6 | Fair Values | | |
| | Current Assets, Current Liabilities and Non-Current Liabilities. | | |
| | The carrying value of the financial instruments in these categories is equivalent to their fair value. | | |

10 COMMITMENTS

Capital Commitments -

At balance date there was a commitment for the development of an After School management system of \$18,000. (2010 \$16,500.)

Operating Lease Commitments -

Lease commitments under non-cancellable leases relate to Property, Motor Vehicles, Photocopiers and Just Water installations.

Commitments are payable as follows -

| | 31/12/11 | 31/12/10 |
|--|----------------------|----------------------|
| Less than one year | 1,887,390 | 1,681,664 |
| Between 1 and 5 years | 6,176,143 | 5,661,764 |
| Greater than 5 years | 4,230,024 | 4,367,206 |
| Total Operating Lease commitments | \$ 12,293,557 | \$ 11,710,634 |

All lease commitments relating to Property have rights of renewal and the usual provisions for rent reviews to market rates.

Some leases have clauses that do not permit the rent to be revised downwards. These are not considered material to the Company.

No operating leases impose any restrictions on the Company to raise debt or enter into further leases.

11 CONTINGENT LIABILITIES

At balance date there were two known Contingent Liabilities -

- Two Personal Grievance complaints taken by former staff members where the costs were still to be resolved. It is estimated the total amount will not exceed \$20,000.
- Guarantee by the National Bank to Freidrich Farms Ltd for Rental of \$26,363. The expiry date is 30 June 2012.

12 RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

| | 31/12/11 | 31/12/10 |
|--|---------------------|---------------------|
| Surplus after Taxation | 1,360,307 | 1,079,589 |
| Movements in Working Capital- | | |
| (Increase) Decrease in Accounts Receivable | 271,001 | 35,619 |
| (Increase) Decrease in Stocks on hand | (99,172) | (28,575) |
| (Increase) Decrease in Prepayments | (30,152) | (46,374) |
| Increase (Decrease) in MOE Funding in Advance | 56,867 | 722,110 |
| Increase (Decrease) in Accounts Payable | (154,312) | 488,779 |
| Increase (Decrease) in Income Tax | 148,481 | 47,351 |
| Net GST | (80,623) | 382,689 |
| Non - Cash Items - | | |
| Depreciation | 637,781 | 532,392 |
| RWT on Interest | (96,568) | (89,704) |
| Net Cash Flow from Operating Activities | \$ 2,013,610 | \$ 3,123,875 |

13 TRANSACTIONS WITH RELATED PARTIES

PORSE Franchising (NZ) Limited -

Transactions involve Management Fees received and Royalties, Marketing Charges paid.

Balances at 31 December 2011 were -

| | | |
|---------------------------|---------------------|---------------------|
| Accounts Receivable | 94,277 | 273,294 |
| Accounts Payable | (872,709) | (612,540) |
| Net Amount Payable | \$ (778,432) | \$ (339,246) |

PORSE Education & Training NZ Limited -

Transactions involve Management Fees received and Charges and Advances for various Expense items paid on usual

Balances at 31 December 2011 were -

| | | |
|---------------------------|-----------------------|---------------------|
| Accounts Receivable | 92,833 | 159,020 |
| Accounts Payable | (1,345,140) | (1,075,140) |
| Net Amount Payable | \$ (1,252,307) | \$ (916,120) |

PALJYN Investments Ltd

| | | |
|-------------|------------|------------|
| Rental Paid | \$ 322,920 | \$ 322,920 |
|-------------|------------|------------|

There were no amounts owing to or by PALJYN Investments Ltd at balance date.

The usual provisions for periodic rent reviews to market rates apply.

14 SIGNIFICANT EVENTS AFTER BALANCE DATE

There have not been any significant events since balance date to affect the results shown in the Financial Statements.

15 SEGMENTAL INFORMATION

The Company operates throughout New Zealand in the provision of early childhood education and services.

16 MINISTRY OF EDUCATION FUNDING -

\$ 27,225 \$ 54,092

PROVISIONALLY REGISTERED TEACHERS

There were 96 Grants received in the six months to 30 June 2011. The scheme was discontinued at that date.

The Funds received were utilised in providing a comprehensive Guidance and Support Programme including the following elements -

- In-Service Training Courses

- Regional Workshops.

- Professional Development Programmes.

- Maintaining a Career Portfolio with emphasis on self reflection.

- Peer forums, discussion and evaluation.

- Working alongside colleagues, demonstrations and team mentoring.

- Discussion meetings.

PORSE IN-HOME CHILDCARE (NZ) LIMITED

**Schedule of Property, Plant & Equipment
for the Year ended 31 December 2011**

| Asset Type | Cost | Bk Value 31/12/10 | Addns (Disposals) | Total | Depreciation Amount | Bk Value 31/12/11 |
|--|---------------------|----------------------|----------------------|---------------------|------------------------|----------------------|
| | \$ | \$ | \$ | | \$ | \$ |
| Leasehold Improvements | | | | | | |
| Property Renovation and Improvements | \$ 605,628 | \$ 336,530 | \$ 27,689 | \$ 364,219 | \$ 56,401 | \$ 307,818 |
| Office Plant, Furniture and Equipment | | | | | | |
| Computers, Printers and Software | 680,152 | 159,839 | 204,690 | 364,529 | 125,443 | 239,086 |
| Data Base Development | 962,194 | 242,748 | 216,974 | 459,722 | 186,061 | 273,662 |
| Office Equipment & Furniture | 1,032,505 | 452,239 | 212,206 | 664,445 | 118,127 | 546,318 |
| Home Educator Equipment | 17,553 | 13,241 | - | 13,241 | 4,346 | 8,895 |
| Vehicle Cargo Barriers | 3,720 | 2,678 | | 2,678 | 964 | 1,714 |
| | <u>\$ 2,696,124</u> | <u>\$ 870,745</u> | <u>\$ 633,870</u> | <u>\$ 1,504,616</u> | <u>\$ 434,942</u> | <u>\$ 1,069,675</u> |
| Signage | \$ 162,018 | \$ 87,970 | \$ 62,456 | \$ 150,426 | \$ 13,449 | \$ 136,977 |
| Motor Vehicles | | | | | | |
| Motor Vehicles | 574,293 | 238,802 | 183,655 | 422,457 | 102,820 | 319,636 |
| Vehicle Signage | 124,767 | 51,679 | 33,033 | 84,712 | 30,169 | 54,543 |
| | <u>\$ 699,060</u> | <u>\$ 290,481</u> | <u>\$ 216,688</u> | <u>\$ 507,169</u> | <u>\$ 132,989</u> | <u>\$ 374,179</u> |
| Total | <u>\$ 4,162,831</u> | <u>\$ 1,585,726</u> | <u>\$ 940,703</u> | <u>\$ 2,526,430</u> | <u>\$ 637,781</u> | <u>\$ 1,888,650</u> |

**Schedule of Property, Plant & Equipment
for the Year ended 31 December 2010**

| Asset Type | Cost | Bk Value 31/12/09 | Addns (Disposals) | Total | Depreciation Amount | Bk Value 31/12/10 |
|--|---------------------|----------------------|----------------------|---------------------|------------------------|----------------------|
| | \$ | \$ | \$ | | \$ | \$ |
| Leasehold Improvements | | | | | | |
| Property Renovation and Improvements | \$ 541,696 | \$ 359,091 | \$ 43,875 | \$ 402,966 | \$ 66,436 | \$ 336,530 |
| Office Plant, Furniture and Equipment | | | | | | |
| Computers, Printers and Software | 645,319 | 168,697 | 129,836 | 298,533 | 138,694 | 159,839 |
| Data Base Development | 473,784 | 120,298 | 272,309 | 392,607 | 149,859 | 242,748 |
| Office Equipment & Furniture | 651,910 | 390,099 | 168,066 | 558,165 | 105,927 | 452,238 |
| Home Educator Equipment | | | 17,553 | 17,553 | 4,312 | 13,241 |
| Vehicle Cargo Barriers | | | 3,720 | 3,720 | 1,042 | 2,678 |
| | <u>\$ 1,771,013</u> | <u>\$ 679,093</u> | <u>\$ 591,484</u> | <u>\$ 1,270,578</u> | <u>\$ 399,834</u> | <u>\$ 870,744</u> |
| Signage | \$ 64,752 | \$ 61,469 | \$ 34,863 | \$ 96,332 | \$ 8,362 | \$ 87,970 |
| Motor Vehicles | | | | | | |
| Motor Vehicles | 222,476 | 68,378 | 197,538 | 265,916 | 27,114 | 238,802 |
| Vehicle Signage | 92,555 | 50,235 | 32,089 | 82,324 | 30,645 | 51,679 |
| | <u>\$ 315,031</u> | <u>\$ 118,613</u> | <u>\$ 229,627</u> | <u>\$ 348,240</u> | <u>\$ 57,759</u> | <u>\$ 290,481</u> |
| Total | <u>\$ 2,692,492</u> | <u>\$ 1,218,266</u> | <u>\$ 899,849</u> | <u>\$ 2,118,116</u> | <u>\$ 532,392</u> | <u>\$ 1,585,726</u> |

GARDINER KNOBLOCH

WILKET House (First Floor), Shakespeare Road, Napier, New Zealand

Telephone 06 8355 018 • Facsimile 06 8355 423 • PO Box 145, Napier 4140 • Email office@gkg.co.nz

CHARTERED
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Porse In-Home Childcare (NZ) Limited.

Report on the Financial Statements

We have audited the financial statements of Porse In-Home Childcare (NZ) Limited on pages 1 to 15, which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand as represented by the New Zealand equivalents to the International Reporting Standards and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that present fairly the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in Porse In-Home Childcare (NZ) Limited.

Opinion

In our opinion, the financial statements on pages 1 to 15:

- Comply with generally accepted accounting practice in New Zealand as represented by the New Zealand equivalents to the International Reporting standards.
- Give a true and fair view of the financial position of Porse In-Home Childcare (NZ) Limited as at 31 December 2011, and of its financial performance (a surplus of \$1,360,308) and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by Porse In-Home Childcare (NZ) Limited as far as appears from examination of those records.

Restriction on Distribution or use

This report is made solely to the shareholders of Porse In-Home Childcare (NZ) Limited. Our audit work has been undertaken so that we might state to the shareholders of Porse In-Home Childcare (NZ) Limited those matters which 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 Porse In-Home Childcare (NZ) Limited and the shareholders of Porse In-Home Childcare (NZ) Limited, for our audit work, for this report, or for the opinions we have formed.

Gardiner Knobloch
GARDINER KNOBLOCH

DATE 30 APRIL 2012
ADDRESS BOX 145 NAPIER

Partners

Ewan Gardiner CA • Graeme Knobloch CA • Peter Gillies CA

PORSE EDUCATION & TRAINING (NZ) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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PORSE EDUCATION & TRAINING (NZ) LIMITED

COMPANY DIRECTORY AS AT 31 DECEMBER 2011

Nature of Business Providers of Early Childhood Education and Training

Registered Office 31 Napier Road
Havelock North

Directors Jennifer L Yule
Paul T Houlahan (resigned 31/1/2012)
Alwyn J Burr

Auditors Gardiner Knobloch
Napier

Solicitors Sainsbury Logan & Williams
Napier

Bankers National Bank of NZ Limited
Napier

Business Location 31 Napier Road
Havelock North

| Shareholders & Shareholding | Shares | | Total |
|--------------------------------|-----------|------------|------------|
| | A | B | |
| Jennifer L Yule | 320 | | 320 |
| Paul Houlahan | 80 | 80 | 160 |
| Rugosa Trust | | 1280 | 1280 |
| Houlahan Family Trust | | 240 | 240 |
| | <hr/> 400 | <hr/> 1600 | <hr/> 2000 |

"A" Shares carry voting rights, "B" shares have no voting rights.

PORSE EDUCATION & TRAINING (NZ) LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors present their Annual Report, including Financial Statements, for the Year ended 31 December 2011.

1 PRINCIPAL ACTIVITIES

The principal activity during the year was the providing of a range of courses to the PORSE early childhood education students and this has not changed during the year under review.

2 REVIEW OF OPERATIONS

2.1 Financial Performance -

A summary of the result is set out below -

| | <u>31/12/11</u> Forecast | <u>31/12/11</u> Actual | <u>31/12/10</u> Actual |
|-------------------------------------|-----------------------------|---------------------------|---------------------------|
| Surplus before Depreciation and Tax | 619,801 | 608,200 | 492,222 |
| Depreciation | (6,728) | (8,699) | (2,665) |
| Surplus before Taxation | 613,073 | 599,501 | 489,557 |
| Taxation | (171,661) | (168,190) | (148,354) |
| Surplus after Taxation | \$ 441,412 | \$ 431,311 | \$ 341,204 |

The overall result is considered to be satisfactory as the increased Surplus after Taxation was mainly due to increased student fees.

2.2 Financial Position -

The Financial position is summarised below -

Assets -

| | | | |
|----------------------|-----------|-----------|-----------|
| Current Assets | 1,719,772 | 1,724,949 | 1,616,825 |
| Non - Current Assets | 29,873 | 32,245 | 22,801 |

Total Assets

| | | |
|---------------------|---------------------|---------------------|
| \$ 1,749,645 | \$ 1,757,195 | \$ 1,639,626 |
|---------------------|---------------------|---------------------|

Liabilities -

| | | | |
|---------------------------|---------|---------|---------|
| Current Liabilities | 756,752 | 775,051 | 936,145 |
| Non - Current Liabilities | 100,000 | 82,353 | 100,000 |

Total Liabilities

| | | |
|-------------------|-------------------|---------------------|
| \$ 856,752 | \$ 857,403 | \$ 1,036,145 |
|-------------------|-------------------|---------------------|

Shareholders Equity

| | | |
|-------------------|-------------------|-------------------|
| \$ 892,893 | \$ 899,791 | \$ 603,481 |
|-------------------|-------------------|-------------------|

% to Total Assets

| | | |
|--------|--------|--------|
| 51.03% | 51.21% | 36.81% |
|--------|--------|--------|

% Shareholders Equity, Current Accounts and Loans to Total Assets

| | | |
|--------|--------|--------|
| 88.55% | 88.19% | 82.82% |
|--------|--------|--------|

The overall Financial Position is sound.

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer L Yule, Paul T Houlahan and Alwyn J Burr.

4 REMUNERATION OF DIRECTORS

The Directors did not receive any remuneration during the year but Alwyn J Burr received payments for accounting services of \$10,532 as compared with \$10,290 the previous year.

5 REMUNERATION OF EMPLOYEES

There was one employee who was not a Director whose remuneration and benefits were between \$100,000 and \$110,000.

6 ENTRIES IN THE INTERESTS REGISTER

Directors have declared interests in the following transactions with other Companies in which Jennifer L Yule and Paul T Houlahan had an interest

| | <u>31/12/11</u> | <u>31/12/10</u> |
|---|---------------------|-------------------|
| (a) PORSE In-Home Childcare (NZ) Ltd - | | |
| Management Fees | 150,000 | 150,000 |
| Charges for various Expense Items which are paid on usual terms of trade. | 783,803 | 573,223 |
| ECE Level 3 Certificate & Module Income charged to PORSE In-Home Childcare (NZ) Ltd | (257,026) | (15,660) |
| Net Transactions for Year | \$ 676,777 | \$ 707,563 |
| Balances at 31 December 2011 were - | | |
| Accounts Receivable | 1,345,140 | 1,075,140 |
| Accounts Payable | 92,833 | 159,019 |
| | \$ 1,252,307 | \$ 916,121 |
| (b) PORSE Franchising (NZ) Ltd - | | |
| ECE Level 3 Certificate & Module Income charged to PORSE Franchising (NZ) Ltd and paid on usual terms of trade. | 44,896 | 3,578 |
| Various Cash Advances | 170,000 | - |
| Net Transactions for Year | \$ 214,896 | \$ 3,578 |
| Balances at 31 December 2011 were - | | |
| Accounts Receivable | 170,000 | - |
| | \$ 170,000 | \$ - |

7 SHARE TRANSACTIONS

The following share transactions were made on 2 May 2011 -

Transfer from Paul T Houlahan to Jennifer L Yule

Transfer from Paul T Houlahan to Trustees of Rugosa Trust

| A Shares | B Shares |
|----------|----------|
| 40 | |
| | 160 |

8 DONATIONS

There were no donations during the year.

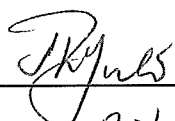
9 AUDITORS

The amount paid to the Auditors for audit services was \$4,800. (2010 \$4,800) . There were no other services provided.

For and on behalf of the Board

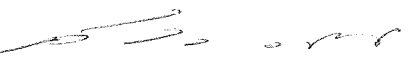
Director

Date


20/03/12

Director

Date


20/3/12.

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Performance for the Year ended 31 December 2011

| | Notes | 31/12/11 Forecast \$ | 31/12/11 Actual \$ | 31/12/10 Actual \$ |
|--|-------|----------------------------|--------------------------|--------------------------|
| Income | | | | |
| Tertiary Education Commission Funding | | 608,716 | 595,832 | 595,613 |
| Student Fees | | 244,172 | 341,503 | 39,984 |
| Star Gateway Programme Revenue | | 612,814 | 515,665 | 532,882 |
| BabyCARES & First Aid Training Fees | | 64,977 | 8,572 | 32,047 |
| WINZ Programme | | 64,000 | 4,376 | - |
| Interest received | | 3,600 | 3,671 | 2,398 |
| Sundry Income | | - | 5,075 | - |
| Total Income | | \$ 1,598,279 | \$ 1,474,695 | \$ 1,202,924 |
| Expenses | | | | |
| Direct Operational Expenses | | | | |
| Personnel Expenses | | 503,124 | 493,060 | 353,798 |
| AC Levies | | 3,189 | 3,988 | 1,178 |
| BabyCARES & First Aid Delivery Costs | | 70,366 | 2,020 | 32,983 |
| Programme Delivery Expenses | | 33,999 | 55,571 | 46,273 |
| WINZ Programme | | 48,330 | 597 | - |
| Professional Development | | 7,000 | 1,621 | 6,689 |
| Total Direct Operational Expenses | | \$ 666,008 | \$ 556,856 | \$ 440,921 |
| Overhead Expenses | | | | |
| Accountancy Fees | | 4,000 | 10,532 | 10,290 |
| Advertising | | 4,800 | 2,218 | 897 |
| Audit Fees | | 5,750 | 4,800 | 4,800 |
| Bank Charges | | 600 | 297 | 414 |
| Computer Expenses | | 3,600 | 5,508 | 64 |
| Consultancy | | - | 20,880 | 2,300 |
| Electricity & Gas | | 8,250 | 9,013 | 6,502 |
| Entertainment | | 1,000 | 213 | 206 |
| Interest Paid | | - | 0 | 949 |
| Legal Fees | | 1,750 | 6,924 | 171 |
| Licence Fees | | - | 11,000 | - |
| Management Fees (Intergroup) | | 165,000 | 150,000 | 150,000 |
| MOE & NZQA Fees | | 36,000 | 20,967 | 27,469 |
| Motor Vehicle Expenses | | 750 | 3,177 | - |
| Office equipment under \$500 | | - | 341 | - |
| Postages & Courier | | 46,000 | 39,420 | 34,606 |
| Repairs & Maintenance | | 720 | - | - |
| Staff Recruitment | | - | 401 | - |
| Stationery, Printing and Photocopying | | 17,250 | 8,706 | 12,575 |
| Subscriptions | | 5,000 | 4,960 | 4,663 |
| Sundry Expenses | | 3,600 | 384 | 311 |
| Telephone, Tolls and Fax | | 2,400 | 3,729 | 1,722 |
| Travel & Accommodation | | 6,000 | 6,169 | 11,841 |
| Total Overhead Expenses | | \$ 312,470 | \$ 309,639 | \$ 269,780 |
| Total Expenses | | \$ 978,478 | \$ 866,495 | \$ 710,701 |
| Operating Surplus before Depreciation | | \$ 619,801 | \$ 608,200 | \$ 492,222 |
| Less | | | | |
| Depreciation | | (6,728) | (8,699) | (2,665) |
| | | (6,728) | (8,699) | (2,665) |
| Net Surplus before Taxation | | \$ 613,073 | \$ 599,501 | \$ 489,557 |
| Taxation | (3.1) | 171,661 | 168,190 | 148,354 |
| Net Surplus after Taxation | | \$ 441,412 | \$ 431,311 | \$ 341,204 |

PORSE EDUCATION & TRAINING (NZ) LIMITED

Statement of Movement in Equity during the Year ended 31 December 2011

| | Notes | 31/12/11 Forecast \$ | 31/12/11 Actual \$ | 31/12/10 Actual \$ |
|-------------------------------------|-------|----------------------------|--------------------------|--------------------------|
| Net Surplus for Year | | 441,412 | 431,311 | 341,204 |
| Increase in Capital | | 98,000 | - | - |
| Total recognised Revenue & Expenses | | 539,412 | 431,311 | 341,204 |
| Dividends declared | | (250,000) | (135,000) | (375,000) |
| Movement in Equity for the Period | | 289,412 | 296,311 | (33,796) |
| Equity at beginning of Year | | 603,481 | 603,481 | 637,277 |
| Equity at end of Year | | \$ 892,893 | \$ 899,792 | \$ 603,481 |

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Position as at 31 December 2011

| | Notes | 31/12/11 Forecast \$ | 31/12/11 Actual \$ | 31/12/10 Actual \$ |
|---|------------|----------------------------|--------------------------|--------------------------|
| Assets | (4) | | | |
| Current Assets | | | | |
| National Bank Operating Accounts | | 1,142,947 | 120,675 | 482,487 |
| National Bank Trust Account | | - | - | 1,028 |
| Accounts Receivable - | | | | |
| Sundry | (4.1) | 1,685 | 20,380 | 1,685 |
| Group Companies | (4.2) | 575,140 | 1,515,140 | 1,075,140 |
| Student Fee Protection Trust | (4.3) | - | 40,000 | - |
| Inland Revenue Dept - | | | | |
| Income Tax | (3.2) | - | 28,755 | 56,485 |
| Total of Current Assets | | \$ 1,719,772 | \$ 1,724,949 | \$ 1,616,825 |
| Non - Current Assets | (5) | | | |
| Plant & Equipment | | 4,034 | 2,471 | 3,085 |
| Furniture & Fittings | | 4,188 | 1,988 | 2,330 |
| T2P Student Management System | | 13,605 | 18,806 | 9,340 |
| Trademark Fees | | 8,046 | 8,980 | 8,046 |
| Total of Non - Current Assets | | \$ 29,873 | \$ 32,245 | \$ 22,801 |
| Total Assets | | \$ 1,749,645 | \$ 1,757,195 | \$ 1,639,626 |
| Liabilities | | | | |
| Current Liabilities | (6) | | | |
| Accounts Payable - | | | | |
| Sundry | (6.1) | 33,629 | 105,851 | 113,653 |
| Group Companies | (6.2) | 160,000 | 92,833 | 159,019 |
| Inland Revenue Dept - | | | | |
| GST | | 6,723 | 8,801 | 9,074 |
| Shareholders Current Accounts | (7.1) | 556,400 | 567,566 | 654,400 |
| Total of Current Liabilities | | \$ 756,752 | \$ 775,051 | \$ 936,145 |
| Non - Current Liabilities | (7) | | | |
| Shareholders Loan Accounts | (7.1) | 100,000 | 82,353 | 100,000 |
| Total of Non - Current Liabilities | | \$ 100,000 | \$ 82,353 | \$ 100,000 |
| Total Liabilities | | \$ 856,752 | \$ 857,403 | \$ 1,036,145 |
| Net Assets | | \$ 892,893 | \$ 899,791 | \$ 603,481 |
| Shareholders Equity | | | | |
| Capital - | | | | |
| 2000 shares fully paid | | 100,000 | 2,000 | 2,000 |
| Capital Profit on sale of Assets | | 110,545 | 110,545 | 110,545 |
| Retained Earnings | (8) | 682,348 | 787,247 | 490,936 |
| Total Shareholders Equity | | \$ 892,893 | \$ 899,792 | \$ 603,481 |

Director



Date

20/03/12

Director



Date

20/3/12.

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Cash Flows
for the Year ended 31 December 2011

| | 31/12/11 Forecast \$ | 31/12/11 Actual \$ | 31/12/10 Actual \$ |
|--|----------------------------|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | | |
| Cash was provided from - | | | |
| Receipts from Tertiary Education Commission & Sundry | 1,594,680 | 1,452,329 | 1,282,170 |
| Interest Received | 2,520 | 2,472 | 1,559 |
| | <u>1,597,200</u> | <u>1,454,801</u> | <u>1,283,729</u> |
| Cash was disbursed to - | | | |
| Personnel Expenses | (531,675) | (493,060) | (341,937) |
| Payments to Suppliers of Services | (453,122) | (423,623) | (358,679) |
| Taxation Paid | (186,819) | (163,060) | (205,871) |
| Net GST Paid/Credit | (2,352) | (273) | 65 |
| | <u>(1,173,968)</u> | <u>(1,080,016)</u> | <u>(906,422)</u> |
| Net Cash Inflow from Operating Activities | \$ 423,232 | \$ 374,785 | \$ 377,307 |
| Cash Flows from Investing Activities | | | |
| Cash was provided from - | | | |
| Funds from National Bank Trust | 1,028 | 1,028 | - |
| | <u>1,028</u> | <u>1,028</u> | <u>-</u> |
| Cash was applied to - | | | |
| Deposit to Bank Deposits Account | - | - | (7) |
| Student Fee Protection Trust | - | (40,000) | - |
| Purchase of Non - Current Assets | (13,800) | (18,143) | (17,387) |
| | <u>(13,800)</u> | <u>(58,143)</u> | <u>(17,394)</u> |
| Net Cash Inflow (Outflow) from Investing Activities | \$ (12,772) | \$ (57,115) | \$ (17,394) |
| Cash Flows from Financing Activities | | | |
| Cash was provided from - | | | |
| Repayment of Group Advances | 500,000 | - | - |
| | <u>500,000</u> | <u>-</u> | <u>-</u> |
| Cash was applied to - | | | |
| Shareholders Current Account Advances | (250,000) | (239,482) | (9,644) |
| Advances to Group Companies | - | (440,000) | - |
| | <u>(250,000)</u> | <u>(679,482)</u> | <u>(9,644)</u> |
| Net Cash Inflow (Outflow) from Financing Activities | \$ 250,000 | \$ (679,482) | \$ (9,644) |
| Net Increase (Decrease) in Cash held | \$ 660,460 | \$ (361,812) | \$ 350,269 |
| Cash at Start of Year | 482,487 | 482,487 | 132,218 |
| Balance at end of Year | \$ 1,142,947 | \$ 120,675 | \$ 482,487 |

PORSE EDUCATION & TRAINING (NZ) LIMITED
Notes to and forming part of the Financial Statements
for the Year ended 31 December 2011

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting Entity

PORSE Education & Training (NZ) Limited is a company registered under the Companies Act 1993 and a reporting entity for the Financial Reporting Act 1993.

The company name changed from PORSE ECE Training (NZ) Limited to Porse Education & Training (NZ) Limited on 1 February 2011.

The Financial Statements of the Company have been prepared in accordance with the Financial Reporting Act 1993.

1.2 Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Company.

1.3 Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position of the Company have been applied -

(a) Non - Current Assets

Non - Current Assets are included at cost less aggregate depreciation provided at the maximum rates allowed by the Inland Revenue Department. The depreciation rates used are shown in the Depreciation Schedule. Fixed Assets leased under a specified lease for the purposes of the Income Tax legislation are capitalised and depreciated.

(b) Revenues

Revenues are recognised on an accruals basis.

(c) Accounts Receivable

Accounts Receivable are valued at expected realisable value after writing off any debts considered uncollectible.

(d) Employee Entitlements

A liability for annual leave and sick leave is accrued and recognised in the Statement of Financial Position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

(e) Leases

Finance Leases

Finance Leases, which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the Company is expected to benefit from their use.

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

(f) Taxation

Income Tax is accounted for using the taxes payable method i.e. the Income Tax Expense charged to the Statement of Financial Performance is based on the Return to the Inland Revenue Department.

(g) Accounting for Goods & Services Tax

The Financial Statements are prepared on a GST exclusive basis except where the expenditure incurring the GST charge is one in respect of which a claim for recovery of the GST is not allowed by the Inland Revenue Department. In these cases and in respect of Accounts Receivable and Accounts Payable, the amounts include GST.

(h) Financial Instruments

The Company does not enter into any off balance sheet instruments. All financial instruments are recognised in the financial statements and are stated at transaction value.

(i) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the statement of cash flows are --

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company as part of its day-to-day cash management.

"Investing Activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

"Financing Activities" are those activities relating to changes in equity and debt capital structure of the company and those activities relating to the cost of servicing the company's equity capital.

"Operating Activities" include all transactions and other events that are not investing or financing activities.

(j) Differential Reporting

The Company qualifies for differential reporting as it is not large and is not publically accountable. The Company has taken advantage of all available differential reporting exemptions except in respect of Financial Instruments and Cash Flows.

2.1 Changes in Accounting Policies

There have not been any changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

| | | 31/12/11 | 31/12/10 |
|---|--|---------------------|---------------------|
| 3 TAXATION | | | |
| 3.1 Income Tax | | | |
| The taxation position is set out below - | | | |
| Net Surplus before Taxation | | 599,501 | 489,557 |
| Plus - | | | |
| Tax Adjustments | | 1,178 | 4,955 |
| | | <u>\$ 600,679</u> | <u>\$ 494,512</u> |
| Tax at 28c in \$ | | 168,190 | 148,354 |
| Total as per Statement of Financial Performance | | \$ 168,190 | \$ 148,354 |
| 3.2 Inland Revenue Dept.- Tax Refund (Tax Payable) | | \$ 28,755 | \$ 56,485 |
| Total Tax payable as in (3.1) | | 168,190 | 148,354 |
| RWT deducted at source | | (1,199) | (839) |
| Provisional Tax paid | | (195,745) | (204,000) |
| Balance Due (Refund) | | \$ (28,755) | \$ (56,485) |
| 3.3 Imputation Credit Account | | | |
| Opening Balance of available credits | | 199,327 | 153,332 |
| Plus - | | | |
| Taxes paid during the year available for credits | | 163,060 | 205,871 |
| RWT deducted at source | | 1,199 | 839 |
| Less - | | | |
| Credits attributed to Dividends declared | | (57,857) | (160,714) |
| Closing Balance of available credits | | \$ 305,729 | \$ 199,327 |
| 4 CURRENT ASSETS | | | |
| 4.1 Accounts Receivable - | | | |
| Sundry - | | \$ 20,380 | \$ 1,685 |
| Amounts due by Students for course fees. | | | |
| 4.2 Group Companies - | | \$ 1,515,140 | \$ 1,075,140 |
| Owing by PORSE In-Home Childcare (NZ) Limited | | 1,345,140 | 1,075,140 |
| Owing by PORSE Franchising (NZ) Limited | | 170,000 | - |
| | | <u>\$ 1,515,140</u> | <u>\$ 1,075,140</u> |
| Various amounts owing for services and supplies. | | | |
| 4.3 Student Fee Protection Trust | | \$ 40,000 | \$ - |
| Deposit held on Trust with Sainsbury Logan and Williams - solicitors to meet the requirements of the New Zealand Qualifications Authority student fee protection rules. | | | |
| 5 NON - CURRENT ASSETS | | | |
| As per Schedule | | \$ 32,245 | \$ 22,801 |
| 6 CURRENT LIABILITIES | | | |
| 6.1 Accounts Payable | | | |
| Sundry | | \$ 105,851 | \$ 113,653 |
| Employee entitlements | | 39,133 | 28,551 |
| Due to suppliers on usual terms of trade. | | 17,794 | 5,951 |
| Resident Withholding Tax | | - | 6,428 |
| Income Tax Instalment | | 48,924 | 72,723 |
| | | <u>\$ 105,851</u> | <u>\$ 113,653</u> |
| 6.2 Group Companies | | | |
| PORSE In-Home Childcare (NZ) Ltd | | \$ 92,833 | \$ 159,019 |
| 7 NON - CURRENT LIABILITIES | | | |
| 7.1 Shareholders Current Accounts and Loan Accounts | | \$ 649,918 | \$ 754,400 |
| Opening Balance | | 754,400 | 395,472 |
| Dividends declared - net after resident withholding tax | | 131,375 | 358,928 |
| Cash Drawings | | (235,857) | - |
| Closing Balance | | \$ 649,918 | \$ 754,400 |
| Comprises - | | | |
| Shareholders Current Accounts | | \$ 567,566 | \$ 654,400 |
| Shareholders Loan Accounts | | \$ 82,352 | \$ 100,000 |
| The Shareholders Loan Accounts are interest free and are not repayable within twelve months from 31 December 2011 unless utilised for an increase in Shareholders Capital. During the year the Paul T Houlahan and Houlahan Family Trust Shareholder Loans were repaid. | | | |
| 8 RETAINED EARNINGS | | | |
| Opening Balance | | 490,936 | 524,732 |
| Net Surplus for Year | | 431,311 | 341,203 |
| Dividend declared | | (135,000) | (375,000) |
| Closing Balance | | \$ 787,246 | \$ 490,936 |

9 FINANCIAL INSTRUMENTS**9.1 Credit Risks**

Financial Instruments which potentially subject the Company to credit risk, consist of Bank Balances and Accounts Receivable.

The Company performs credit evaluations of all customers requiring credit and generally does not require collateral security.

Maximum exposure to credit risk at balance date were -

| | | |
|---------------------------------------|--------------|--------------|
| National Bank Operating Account | \$ 120,675 | \$ 482,487 |
| National Bank Trust Account | \$ - | \$ 1,028 |
| Accounts Receivable - Sundry | \$ 20,380 | \$ 1,685 |
| Student Fee Protection Trust | \$ 40,000 | \$ - |
| Accounts Receivable - Group Companies | \$ 1,515,140 | \$ 1,075,140 |
| Inland Revenue Dept.- Tax Refund | \$ 28,755 | \$ 56,485 |

The above maximum exposures are net of any recognised provision for losses on these Financial Instruments and collateral is not held on any of the above amounts.

9.2 Concentrations of Credit Risk

The company is dependent on funding from the Tertiary Education Commission and revenue from the Star Gateway Programme which are 75.6% (2010: 93.81%) of Total Income.

9.3 Currency Risk

The Company does not have any exposure to currency risk.

9.4 Interest Rate Risk

Assets - There will be an Interest rate risk in respect of monies on deposit.

Liabilities - Nil

9.5 Credit Facilities

The Company does not use credit facilities other than the advances from Shareholders, Directors or Associated Companies.

9.6 Fair Values

Current Assets, Current Liabilities and Non-Current Liabilities.

The carrying value of the financial instruments in these categories is equivalent to their fair value.

10 CAPITAL COMMITMENTS

At balance date there was a \$31,600 commitment for the purchase of student management software (31/12/2010: \$14,660).

11 CONTINGENT LIABILITIES

There were no contingent liabilities at year end. (31/12/2010 - nil)

12 RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

| | <u>31/12/11</u> <u>Forecast</u> | <u>31/12/11</u> <u>Actual</u> | <u>31/12/10</u> <u>Actual</u> |
|---|------------------------------------|----------------------------------|----------------------------------|
| Surplus after Taxation | 441,412 | 431,311 | 341,204 |
| Movements in Working Capital - | | | |
| (Increase) Reduction in Accounts Receivable - Sundry | | (18,695) | 21,626 |
| (Increase) Reduction in Accounts Receivable - Group Companies | | - | 60,018 |
| (Increase) Reduction in Accounts Receivable - Taxation | 56,485 | 5,130 | (57,517) |
| Increase (Reduction) in Accounts Payable - Sundry | (7,300) | 15,997 | (7,937) |
| Increase (Reduction) in Accounts Payable - Group Companies | 982 | (66,186) | 18,022 |
| Increase (Reduction) in Accounts Payable - Taxation | (71,643) | - | - |
| Net GST | (2,352) | (273) | 65 |
| Non-cash Expenses - | | | |
| Depreciation | 6,728 | 8,699 | 2,665 |
| RWT on Interest | (1,080) | (1,199) | (839) |
| Net Cash Flow from Operating Activities | \$ 423,232 | \$ 374,784 | \$ 377,307 |

| | <u>31/12/11</u> <u>Actual</u> | <u>31/12/10</u> <u>Actual</u> |
|---|------------------------------------|----------------------------------|
| 13 TRANSACTIONS WITH RELATED PARTIES | | |
| 13.1 PORSE In-Home Childcare (NZ) Ltd | | |
| Transactions involve Management Fees and various Expenses charged by PORSE In-Home Childcare (NZ) Ltd offset by ECE Level 3 Certificate Charges to that Company. | | |
| Balances at 31 December 2011 were - | | |
| Accounts Receivable | 1,345,140 | 1,075,140 |
| Accounts Payable | 92,833 | 159,019 |
| Net Amount Receivable | \$ 1,252,307 | \$ 916,121 |
| 13.2 PORSE Franchising (NZ) Limited | | |
| Transactions involve ECE Level 3 Certificate Charges to PORSE Franchising (NZ) Ltd | | |
| Balance at 31 December 2011 was - | | |
| Accounts Receivable | 170,000 | - |
| Net Amount Receivable | \$ 170,000 | \$ - |
| 14 SIGNIFICANT EVENTS AFTER BALANCE DATE | | |
| There have not been any significant events since balance date to affect the results shown in the Financial Statements. | | |
| 15 SEGMENTAL INFORMATION | | |
| The Company will operate throughout New Zealand in the provision of tutoring services in early childhood education. | | |
| 16 MAJOR VARIATIONS AGAINST FORECAST | | |
| | <u>31/12/11</u> <u>Forecast</u> | <u>31/12/11</u> <u>Actual</u> |
| The results differed from the Forecast for the following reasons - | | |
| 16.1 Total Income | \$ 1,598,279 | \$ 1,474,695 |
| The Total Income was lower than Forecast due mainly to a reduction in Tertiary Education Commission Funding, Star Gateway Programme Revenue, BabyCARES & First Aid Training and WINZ Programme but offset by higher Student Fees & Sundry Income. | | |
| 16.2 Direct Operational Expenses | \$ 666,008 | \$ 556,856 |
| There was an overall decrease in these Expenses due mainly to lower Training and Programme Expenses. | | |
| 16.3 Overhead Expenses & Depreciation | \$ 319,198 | \$ 318,338 |
| There was a variation in a range of Expenses with the main variations being forecast increases in NZQA Fees and Management Fees which didn't eventuate. | | |
| 16.4 Surplus before Taxation | \$ 613,073 | \$ 599,501 |
| Slightly lower than Forecast because of the above variations. | | |
| 16.5 Statement of Cash Flows | \$ 1,142,947 | \$ 120,675 |
| Increase in funds at Balance Date were below budget because of the lower cash flow from operations and the funds advanced to Group Companies. | | |

PORSE EDUCATION & TRAINING (NZ) LIMITED

Depreciation Schedule for the year ended 31 December 2011

| | Cost | Bk Value 31/12/10 | Additions | Depreciation Amount | Depreciation Total | Bk Value 31/12/11 |
|-------------------------------|------------------|------------------------------|------------------|--------------------------------|-------------------------------|------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Plant & Equipment | 5,728 | 3,085 | | 614 | 3,256 | 2,471 |
| Furniture & Fittings | 11,065 | 2,330 | | 342 | 9,078 | 1,988 |
| T2P Student Management System | 9,340 | 9,340 | 17,210 | 7,744 | 7,744 | 18,806 |
| Trade Mark Fees | 8,046 | 8,046 | 933 | - | - | 8,979 |
| Total | \$ 34,179 | \$ 22,801 | \$ 18,143 | \$ 8,699 | \$ 20,078 | \$ 32,245 |

Depreciation Schedule for the year ended 31 December 2010

| | Cost | Bk Value 31/12/09 | Additions | Depreciation Amount | Depreciation Total | Bk Value 31/12/10 |
|-------------------------------|------------------|------------------------------|------------------|--------------------------------|-------------------------------|------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Plant & Equipment | 5,728 | 3,852 | | 766 | 2,642 | 3,086 |
| Furniture & Fittings | 11,065 | 2,742 | | 413 | 8,736 | 2,329 |
| T2P Student Management System | - | - | 9,340 | - | - | 9,340 |
| Trade Mark Fees | | - | 8,046 | - | - | 8,046 |
| Total | \$ 16,793 | \$ 6,594 | \$ 17,386 | \$ 1,179 | \$ 11,378 | \$ 22,801 |

GARDINER KNOBLOCH

WILKET House (First Floor), Shakespeare Road, Napier, New Zealand

Telephone 06 8355 018 • Facsimile 06 8355 423 • PO Box 145, Napier 4140 • Email office@gkg.co.nz

CHARTERED
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Porse Education & Training (NZ) Limited.

Report on the Financial Statements

We have audited the financial statements of Porse Education & Training (NZ) Limited on pages 1 to 12, which comprise the statement of financial position as at 31 December 2011, the statement of financial performance, statement of movement in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that present fairly the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in Porse Education & Training (NZ) Limited.

Opinion

In our opinion, the financial statements on pages 1 to 12:

- Comply with generally accepted accounting practice in New Zealand.
- Give a true and fair view of the financial position of Porse Education & Training (NZ) Limited as at 31 December 2011, and of its financial performance (a surplus of \$431,311) and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by Porse Education & Training (NZ) Limited as far as appears from examination of those records.

Restriction on Distribution or use

This report is made solely to the shareholders of Porse Education & Training (NZ) Limited. Our audit work has been undertaken so that we might state to the shareholders of Porse Education & Training (NZ) Limited those matters which 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 Porse Education & Training (NZ) Limited and the shareholders of Porse Education & Training (NZ) Limited, for our audit work, for this report, or for the opinions we have formed.

Gardiner Knobloch
GARDINER KNOBLOCH

DATE 21 MARCH 2012
ADDRESS BOX 145 NAPIER

Partners

Ewan Gardiner CA • Graeme Knobloch CA • Peter Gillies CA

PORSE FRANCHISING (NEW ZEALAND) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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PORSE FRANCHISING (NZ) LIMITED
COMPANY DIRECTORY AS AT 31 DECEMBER 2011

Nature of Business Services to Franchisees of the PORSE early childcare network.

Registered Office 31 Napier Road
HAVELOCK NORTH

Directors Jennifer L Yule
Paul T Houlahan (Resigned 31/1/2012)
Alwyn J Burr

Solicitors Sainsbury, Logan & Williams
HASTINGS

Bankers National Bank of NZ Limited
NAPIER

Business Location 31 Napier Road
HAVELOCK NORTH

| | SHARES | |
|-----------------------|----------|------------|
| | Voting | Non Voting |
| Jennifer L Yule | 32 | |
| Rugosa Trust | | 128 |
| Paul Houlahan | 8 | 8 |
| Houlahan Family Trust | | 24 |
| | <hr/> 40 | <hr/> 160 |

PORSE FRANCHISING (NZ) LIMITED
DIRECTORS' REVIEW FOR THE YEAR ENDED 31 DECEMBER 2011

1 PRINCIPAL ACTIVITIES

The Principal Activity during the year was the management of the PORSE Early Childhood Education System.

2 REVIEW OF OPERATIONS

2.1 Financial Performance

The result for the Year was a Surplus After Tax of \$269,451 as compared with \$715,950 for the previous year. This lower surplus was due mainly to reduced Sundry Income of \$431,118, an increase in Franchise Termination Fees of \$162,444 partially offset by a reduction in Taxation of \$203,912.

2.2 Financial Position

| | 31/12/11 | 31/12/10 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Equity as per Financial Statements | 1,318,947 | 1,104,496 |
| Shareholders Current Accounts | 195,870 | 241,256 |
| Shareholders Loan Accounts | 82,353 | 100,000 |
| Total Shareholders Investment | 1,597,170 | 1,445,752 |

This position is considered to be satisfactory.

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer L Yule, Paul T Houlahan and Alwyn J Burr.

4 REMUNERATION OF DIRECTORS

The Directors did not receive any remuneration during the period but Alwyn Burr Chartered Accountant Limited received payments for accounting and advisory services totalling \$5,011. In the year ended 31 December 2010 the amount was \$6,157.

5 ENTRIES IN THE INTERESTS REGISTER

There were no interests requiring to be registered in the Interests Register during the year.

6 SHARE TRANSACTIONS

The following shares were transferred on 2 May 2011 -

Transfer from Paul T Houlahan to Jennifer L Yule

4 Voting Shares

Transfer from Paul T Houlahan to Jennifer L Yule

16 Non-voting Shares

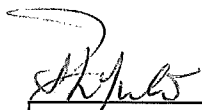
7 AUDITORS

The shareholders of the Company have voted unanimously not to appoint Auditors.

For and on behalf of the Board

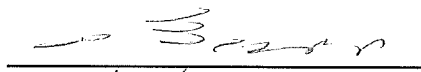
Jennifer L Yule

Date


2/5/2012

Alwyn J Burr

Date


2/5/2012

PORSE FRANCHISING (NZ) LIMITED
Statement of Financial Performance for the Year ended 31 December 2011

| | Notes | 31/12/11 12 mths \$ | 31/12/10 12 mths \$ |
|---|-------|---------------------------|---------------------------|
| Gross Revenue | 2 | | |
| Franchise Licence Sales | | - | - |
| Royalties Received | | 1,403,876 | 1,439,611 |
| Sundry Income | | 40,418 | 471,536 |
| Interest Received | | 9,914 | 1,544 |
| Total Revenue | | 1,454,208 | 1,912,691 |
| Management and Overhead Expenses | 3 | | |
| Accountancy Fees | | 5,011 | 6,167 |
| Bank Charges | | 244 | 110 |
| Consultants | | 2,704 | - |
| Electricity & Gas | | 9,013 | 6,498 |
| Franchise Termination Fees | | 381,621 | 219,177 |
| Interest | | 3,908 | 2,960 |
| Legal Fees | | 3,640 | 11,985 |
| Stationery, Printing and Postage | | 6,902 | 10,953 |
| Student Training Fees | | 40,969 | 3,578 |
| Subscriptions | | 339 | 347 |
| Sundry Expenses | | - | 77 |
| Travel & Accommodation | | - | - |
| Total Management and Overhead Expenses | | 454,350 | 261,852 |
| Surplus before Directors Remuneration & Depreciation | | 999,858 | 1,650,839 |
| Depreciation | | 1,621 | 2,191 |
| Management Fees to Group Companies | | 624,000 | 624,000 |
| | | 625,621 | 626,191 |
| Surplus before Taxation | | 374,237 | 1,024,648 |
| Taxation | 4.1 | 104,786 | 308,698 |
| Surplus after Taxation | | 269,451 | 715,950 |


Statement of Movement in Equity during the Year ended 31 December 2011

| | | |
|--|------------------|------------------|
| Start Balance | 1,104,496 | 738,546 |
| Plus Total recognised Revenue & Expenses | | |
| Surplus after Taxation | 269,451 | 715,950 |
| Less Dividends declared | (55,000) | (350,000) |
| Closing Balance | 1,318,947 | 1,104,496 |


PORSE FRANCHISING (NZ) LIMITED
Statement of Financial Position as at 31 December 2011

| | Notes | 31/12/11 | 31/12/10 |
|--|-------|------------------|------------------|
| | 5 | \$ | \$ |
| Assets | | | |
| Current Assets | | | |
| National Bank Accounts | | 217,381 | 550,398 |
| National Bank Trust Account | | 38,529 | 56,257 |
| Accounts Receivable | | | |
| Sundry | 5.1 | 682 | 7,720 |
| Intergroup Receivables | 5.2 | 237,709 | 612,540 |
| Inter-company advances | 5.2 | | |
| PALJYN Investments Ltd | | 650,064 | 650,064 |
| PORSE In Home Childcare (NZ) Limited | | 635,000 | - |
| Move It (NZ) Limited | | 2,000 | - |
| For Life Education & Training (NZ) Limited | | 10,000 | - |
| Inland Revenue Dept - | | | |
| Income Tax | 4.2 | 205,356 | - |
| Total of Current Assets | | 1,996,720 | 1,876,979 |
| Non - Current Assets | 6 | | |
| Fixed Assets | 6.1 | | |
| Motor Vehicles | | 4,616 | 6,236 |
| Trade Marks | | 1,285 | 1,285 |
| Total of Non - Current Assets | | 5,901 | 7,521 |
| Total Assets | | 2,002,622 | 1,884,500 |
| Liabilities | | | |
| Current Liabilities | 7 | | |
| Accounts Payable | | | |
| Sundry | 7.1 | 107,209 | 97,405 |
| Intergroup Payables | 7.2 | 94,277 | 273,294 |
| PORSE Education & Training (NZ) Limited | 5.2 | 170,000 | - |
| Inland Revenue Dept | | | |
| GST | | 7,605 | 14,519 |
| Income Tax | 4.2 | - | 53,530 |
| Advertising & Scholarship Funds | 7.3 | 26,360 | - |
| Shareholders Current Accounts | 7.4 | 195,870 | 241,256 |
| Total of Current Liabilities | | 601,322 | 680,004 |
| Non - Current Liabilities | 8 | | |
| Shareholders Loan Accounts | 8.1 | 82,353 | 100,000 |
| Total of Non - Current Liabilities | | 82,353 | 100,000 |
| Total Liabilities | | 683,674 | 780,004 |
| Net Assets | | 1,318,947 | 1,104,496 |
| Shareholders Equity | 9 | | |
| Capital 200 shares paid to | | 200 | 200 |
| Capital Profits | 9.1 | 61,463 | 61,463 |
| Retained Earnings | 9.2 | 1,257,284 | 1,042,833 |
| Total Shareholders Equity | | 1,318,947 | 1,104,496 |

The foregoing Financial Statements have not been audited



2/5/2012 Date



2/5/2012 Date

PORSE FRANCHISING (NZ) LIMITED
Statement of Cash Flows
for the Year ended 31 December 2011

| | 31/12/11 12 mths \$ | 31/12/10 12 mths \$ |
|--|---------------------------|---------------------------|
| Cash Flows from Operating Activities | | |
| Cash was provided from - | | |
| Receipts from Royalties and Sundry Income | 1,826,161 | 2,068,370 |
| Interest received | 6,670 | 1,049 |
| Net GST | - | 3,080 |
| | <u>1,832,832</u> | <u>2,072,499</u> |
| Cash was disbursed to - | | |
| Personnel Expenses | - | - |
| Payments to Suppliers of Services | (1,243,655) | (928,670) |
| Interest Paid | (3,908) | (2,960) |
| Net GST | (6,914) | - |
| Taxation paid | (360,428) | (308,812) |
| | <u>(1,614,905)</u> | <u>(1,240,442)</u> |
| Net Cash Flows (Out flow) from Operating Activities | 217,927 | 832,057 |
| Cash Flows from Investing Activities | | |
| Cash was provided from - | - | - |
| | <u>-</u> | <u>-</u> |
| Cash was applied to - | - | - |
| | <u>-</u> | <u>-</u> |
| Net Cash Flow (Out Flow) from Investing Activities | - | - |
| Cash Flows from Financing Activities | | |
| Cash was provided from - | | |
| Net Advertising and Scholarship Funds Receipts | 26,361 | - |
| | <u>26,361</u> | <u>-</u> |
| Cash was applied to - | | |
| Intergroup Loans | (477,000) | - |
| Distributions to Shareholders | (118,033) | (289,999) |
| | <u>(595,033)</u> | <u>(289,999)</u> |
| Net Cash Flow (Out Flow) from Financing Activities | (568,672) | (289,999) |
| Net Increase (Decrease) in Cash held | (350,745) | 542,058 |
| Opening balance brought forward | 606,655 | 64,597 |
| Ending cash carried forward | 255,910 | 606,655 |
| Bank Balances as per Statement of Financial Position | | |
| National Bank Account | 255,910 | 606,655 |
| Total Bank Balances | 255,910 | 606,655 |
| Reconciliation of Operating Surplus with Cash Flows from Operating Activities | | |
| Surplus after Taxation | 269,451 | 715,950 |
| Movements in Working Capital | | |
| (Increase) Decrease in Accounts Receivable - Sundry | 7,038 | 21,810 |
| (Increase) Decrease in Accounts Receivable - Group Companies | 374,831 | 436,265 |
| Increase (Decrease) in Accounts Payable - Sundry | 9,804 | (316,119) |
| Increase (Decrease) in Accounts Payable - Intergroup | (179,017) | (30,511) |
| Increase (Decrease) in Income Tax | (360,428) | (308,812) |
| Net GST | (6,914) | 3,080 |
| Non - Cash Items - | | |
| Depreciation | 1,620 | 2,191 |
| RWT on Interest | (3,244) | (495) |
| Taxation provided | 104,786 | 308,698 |
| Net Cash Flow from Operating Activities | 217,928 | 832,057 |

PORSE FRANCHISING (NEW ZEALAND) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting Entity

PORSE Franchising (New Zealand) Limited (the "Company") is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

1.2 Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Company.

1.3 Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position of the company have been applied:

(a) Non - Current Assets & Depreciation

Non - Current Assets are included at cost less aggregate depreciation provided at the maximum rates allowed by the Inland Revenue Department. The depreciation rates used are shown in the Depreciation Schedule. Fixed Assets leased under a specified lease for the purposes of the Income Tax legislation are capitalised and depreciated.

(b) Revenues

Revenues are recognised on an accruals basis.

(c) Accounts Receivable

Accounts Receivable are valued at expected realisable value after writing off any debts considered uncollectible.

(d) Employee Entitlements

A liability for annual leave and sick leave is accrued and recognised in the Statement of Financial Position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

(e) Taxation

The Income Tax expense charged in the Statement of Financial Performance includes both the current year provision and the income tax effects of timing differences, calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account arising from timing differences or income tax benefits from income tax losses is only recognised if there is virtual certainty of realisation.

(f) Accounting for Goods & Services Tax

The Financial Statements are prepared on a GST exclusive basis except where the expenditure incurring the GST charge is one in respect of which a claim for recovery of the GST is not allowed by the Inland Revenue Department. In these cases and in respect of Accounts Receivable and Accounts Payable, the amounts include GST.

(g) Financial Instruments

The Company does not enter into any off balance sheet instruments. All financial instruments are recognised in the financial statements and are stated at transaction value.

(h) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the statement of cash flows are –

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company as part of its day-to-day cash management.

"Investing Activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

"Financing Activities" are those activities relating to changes in equity and debt capital structure of the company and those activities relating to the cost of servicing the company's equity capital.

"Operating Activities" include all transactions and other events that are not investing or financing activities.

(i) Differential Reporting

The Company qualifies for differential reporting as it is not publicly accountable and there is no separation between the owners and the governing body. The Company has taken advantage of all available differential reporting exemptions.

Changes in Accounting Policies

There have not been any changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

| | 31/12/2011 | 31/12/2010 |
|--|-------------------|---------------------|
| 2 GROSS REVENUE | \$ 1,454,208 | \$ 1,912,691 |
| 3 MANAGEMENT AND OVERHEAD EXPENSES | \$ 454,350 | \$ 261,852 |
| 4 TAXATION | | |
| 4.1 Income Tax | \$ 104,786 | \$ 308,698 |
| The taxation position is set out below - | | |
| Surplus before Taxation | 374,237 | 1,024,648 |
| Adjustments - | | |
| | <u>\$ 374,237</u> | <u>\$ 1,024,648</u> |
| Taxation Payable | \$ 104,786 | \$ 307,394 |
| Prior period adjustment | \$ - | \$ 1,304 |
| | <u>\$ 104,786</u> | <u>\$ 308,698</u> |
| 4.2 Inland Revenue Dept - (Payable) Refund | \$ 205,356 | \$ (53,530) |
| Provisional Tax paid | 306,899 | 253,370 |
| RWT on Interest | 3,244 | 494 |
| | <u>310,143</u> | <u>253,864</u> |
| Taxation due as in 4.1 | <u>(104,786)</u> | <u>(307,394)</u> |
| Refund (Balance owing) as per Statement of Financial Position | <u>\$ 205,356</u> | <u>\$ (53,530)</u> |
| 4.3 Imputation Credit Account | | |
| Opening Balance of available credits | 305,132 | 229,882 |
| Plus Taxes paid during the year available for Credits (less Refunds) | 359,950 | 224,755 |
| RWT on Interest | 3,244 | 495 |
| Less Adjustment | | |
| Credit attributed to Dividends declared | <u>(23,571)</u> | <u>(150,000)</u> |
| Closing Balance of available credits | <u>\$ 644,754</u> | <u>\$ 305,132</u> |
| 5 CURRENT ASSETS | | |
| 5.1 Accounts Receivable - Sundry | \$ 682 | \$ 7,720 |
| Amounts due in respect of Sundry Receivables & Advertising/Scholarship Funds | | |
| 5.2 Accounts Receivable - Intergroup | \$ 237,709 | \$ 612,540 |
| PORSE In-Home Childcare (NZ) Ltd | 237,709 | 612,540 |
| | <u>\$ 237,709</u> | <u>\$ 612,540</u> |
| Inter-company Advances | | |
| PALJYN Investments Ltd | 650,064 | 650,064 |
| PORSE In Home Childcare (NZ) Limited | 635,000 | - |
| Move It (NZ) Limited | 2,000 | - |
| For Life Education & Training (NZ) Limited | 10,000 | - |
| PORSE Education & Training (NZ) Limited | (170,000) | - |
| Amounts due by Group Companies in respect of various operational charges and Advances | | |
| 6 NON - CURRENT ASSETS | | |
| 6.1 Fixed Assets | \$ 5,901 | \$ 7,521 |
| See Fixed Asset Schedule. | | |
| 7 CURRENT LIABILITIES | | |
| 7.1 Accounts Payable - Sundry | \$ 107,209 | \$ 97,405 |
| Amounts payable to suppliers of various services. | | |
| 7.2 Accounts Payable - Intergroup Payables | \$ 94,277 | \$ 273,294 |
| PORSE In-Home Childcare (NZ) Ltd | 94,277 | 273,294 |
| | <u>\$ 94,277</u> | <u>\$ 273,294</u> |
| Amounts owing to Group Companies for various services and Advances. | | |
| 7.3 Advertising and Scholarship Funds | \$ 26,360 | \$ - |
| Amounts held on behalf of Franchisees for advertising, marketing and scholarships. | | |
| 7.4 Shareholders Current Accounts | \$ 195,870 | \$ 241,256 |
| These amounts advanced by Shareholders are unsecured, do not carry interest and are repayable on demand. | | |
| Jennifer L Yule | 48,040 | 51,369 |
| Rugosa Trust | 147,830 | 149,857 |
| Paul T Houlahan | - | 24,609 |
| Houlahan Family Trust | - | 15,421 |
| | <u>\$ 195,870</u> | <u>\$ 241,256</u> |

| | <u>31/12/2011</u> | <u>31/12/2010</u> |
|---|----------------------------|----------------------------|
| 8 TERM LIABILITIES | | |
| 8.1 Shareholders Loan Accounts | \$ 82,353 | \$ 100,000 |
| These Loans are unsecured, do not carry interest and are only repayable within 12 months if the amount is required for an increase in Shareholders Capital. | | |
| Jennifer L Yule | 16,471 | 16,471 |
| Rugosa Trust | 65,882 | 65,882 |
| Paul T Houlahan | - | 1,411 |
| Houlahan Family Trust | - | 16,236 |
| | <u>\$ 82,353</u> | <u>\$ 100,000</u> |
| 9 SHAREHOLDERS EQUITY | | |
| 9.1 Capital Profits | \$ 61,463 | \$ 61,463 |
| Capital Profit on sale of Property. | | |
| 9.2 Retained Earnings | \$ 1,257,284 | \$ 1,042,833 |
| Opening Balance | 1,042,833 | 676,882 |
| Surplus (Deficit) after Taxation | 269,451 | 715,951 |
| Dividends declared | (55,000) | (350,000) |
| Closing Balance | <u>\$ 1,257,284</u> | <u>\$ 1,042,833</u> |
| 10 TRANSACTIONS WITH RELATED PARTIES | | |
| PORSE In-Home Childcare (NZ) Limited | | |
| Royalties | \$ 101,959 | \$ - |
| Charge for Management Services during the period. | \$ 624,000 | \$ 624,000 |
| 11 CONTINGENT LIABILITIES | | |
| The Company had no known contingent liabilities at balance date. | | |
| 12 CAPITAL COMMITMENTS | | |
| The Company had no material capital commitments at balance date. | | |

PORSE FRANCHISING (NZ) LIMITED

Fixed Asset Schedule for the year ended 31 December 2011

| | Date | Cost \$ | Bk Value 31/12/10 \$ | Additions (Sales) \$ | % | Mths | Deprec. Amount \$ | Total \$ | Bk Value 31/12/11 \$ |
|-----------------------|-----------|------------|----------------------------|----------------------------|-----------|------|-------------------------|-------------|----------------------------|
| Motor Vehicles | | | | | | | | | |
| Mazda | 05-Aug-05 | 31,520 | 6,236 | - | 26.00% DV | 12 | 1,621 | 26,905 | 4,615 |
| | | 31,520 | 6,236 | - | | | 1,621 | 26,905 | 4,615 |
| Less Sold | | | | | | | | | |
| | | 31,520 | 6,236 | | | | | | |
| Trade Marks | | | | | | | | | |
| United Kingdom | | 1,285 | 1,285 | | | | | | - |
| | | | | | | | | | 1,285 |
| | | \$ 32,805 | \$ 7,521 | \$ - | | | \$ - | \$ - | \$ 1,285 |
| Less Sold | | - | - | | | | | | |
| Net Book Value | | \$ 32,805 | \$ 7,521 | | | | | | |