

PORSE IN-HOME CHILDCARE (NZ) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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PORSE IN-HOME CHILDCARE (NZ) LIMITED

COMPANY DIRECTORY AS AT 31 DECEMBER 2012

Nature of Business Providers of Early Childhood Services

Registered Office 31 Napier Road
HAVELOCK NORTH

Directors Jennifer L Yule
Dan Druzianic
Alwyn J Burr

Auditors Gardiner Knobloch
NAPIER

Solicitors Sainsbury, Logan & Williams
NAPIER

Chen Palmer
WELLINGTON

Bankers ANZ Bank New Zealand Limited
Kiwi Bank Limited
Westpac New Zealand Limited
NAPIER

Business Location 31 Napier Road
HAVELOCK NORTH

Shareholders & Shareholding	SHARES	
	Voting	Non-Voting
Jennifer L Yule	100,000	-
David C Yule	-	142,500
Rugosa Trust	-	257,500
	<u>100,000</u>	<u>400,000</u>

PORSE IN-HOME CHILDCARE (NZ) LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors present their Annual Report, including Financial Statements for the Year ended 31 December 2012.

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>31/12/12</u>	<u>31/12/11</u>
Surplus before Depreciation and Taxation	1,428,289	2,541,339
Plus(Less) -		
Depreciation	<u>(610,610)</u>	<u>(637,781)</u>
Surplus before Taxation	817,679	1,903,558
Taxation	<u>(238,053)</u>	<u>(543,251)</u>
Surplus after Taxation	\$ 579,626	\$ 1,360,307

Financial Position -

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

Total Shareholders Equity	1,547,677	2,883,050
Shareholders Current Accounts	307,037	144,422
Shareholders Loan Accounts	82,353	82,353
	\$ 1,937,067	\$ 3,109,824

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, Dan Druzianic and Alwyn J Burr.

Paul Houlahan resigned in January 2012. Dan Druzianic was appointed a director 14 November 2012.

4 REMUNERATION OF DIRECTORS

The Remuneration of the Director/Shareholders was -

	<u>31/12/12</u>	<u>31/12/11</u>
Jennifer L Yule	267,903	279,353
Paul T Houlahan	-	177,453
Dan Druzianic	7,000	-
David C Yule	-	64,125
	\$ 274,903	\$ 520,931
Alwyn J Burr Chartered Accountant Ltd - Accounting Services provided	\$ 113,448	\$ 134,960

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	2	1
\$150,000 - \$160,000	-	-
\$160,000 - \$170,000	-	-
\$170,000 - \$180,000	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	312,000	624,000
Royalties and Marketing Charges	<u>(640,643)</u>	<u>(341,848)</u>
Various Advances (Payable)/Receivable	<u>(622,987)</u>	<u>(721,338)</u>
	\$ (951,630)	\$ (439,186)

Balances at 31 December were -

Accounts Receivable	149,401	94,277
Accounts Payable	<u>(1,606,857)</u>	<u>(872,709)</u>
Net Amount Receivable/(Payable)	\$ (1,457,456)	\$ (778,432)

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.	<u>(760,024)</u>	<u>(486,187)</u>
	\$ (610,024)	\$ (336,187)

Balances at 31 December were -

Accounts Receivable	177,034	92,833
Accounts Payable	<u>(1,125,140)</u>	<u>(1,345,140)</u>
Net Amount Receivable/(Payable)	\$ (948,106)	\$ (1,252,307)

For Life Education & Training (NZ) Limited -

Management Fee Received

Charges and Advances for various Expense Items paid on usual terms of trade.

31/12/1231/12/11

-	-
(190,242)	-
\$ (190,242)	\$ -

Balances at 31 December were -

Accounts Receivable

Accounts Payable

Net Amount Receivable/(Payable)

44,569	-
(34,155)	-
\$ 10,414	\$ -

PORSE Equine Education Limited

Management Fee Received

Charges and Advances for various Expense Items paid on usual terms of trade.

-	-
(16,344)	-
\$ (16,344)	\$ -

Balances at 31 December were -

Accounts Receivable

Accounts Payable

Net Amount Receivable/(Payable)

18,796	-
-	-
\$ 18,796	\$ -

PALJYN Investments Limited -

Rental Paid

\$ 322,920	\$ 322,920
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There were no amounts owing to or by PALJYN Investments Limited at balance date.

7 SHARE TRANSACTIONS

The following shares were transferred on 31st January 2012

Transfer from Paul T Houlahan to Jennifer L Yule

Transfer from The Houlahan family Trust to David C Yule

Transfer from Paul T Houlahan to The Rugosa Trust

Transfer from The Houlahan Family Trust to The Rugosa Trust

20,000 Voting Shares

28,500 Non-voting Shares

20,000 Non-voting Shares

31,500 Non-voting Shares

8 DONATIONS

Donations made during the year totalled

<u>31/12/12</u>	<u>31/12/11</u>
\$ 3,312	\$ 2,953

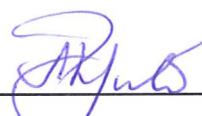
9 AUDITORS


Amount paid to the Auditors for auditing services

Amount paid to the Auditors for other services.

\$ 10,000	\$ 7,252
\$ 2,600	-

For and on behalf of the Board


 _____ Director
 28 MAR 2013 Date


 _____ Director
 28 MAR 2013 Date

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Comprehensive Income for the Year ended 31 December 2012

Continuing Operations	Notes	31/12/12	31/12/11
Revenue		\$	\$
Ministry of Education Funding		25,128,416	26,089,632
Franchise Payments		(3,119,908)	(5,405,487)
		<u>22,008,508</u>	<u>20,684,145</u>
Ministry of Education Funding - Special Programmes	16	105,000	27,225
Sundry Income		396,952	645,730
Depreciation Recovered on Asset Sales		11,228	21,157
Wage Administration Charges		926,656	857,510
Management Fees from Associated Companies		462,000	774,000
Total Revenue		<u>23,910,345</u>	<u>23,009,767</u>
Expenses			
Direct Operational Expenses			
Personnel Expenses - National Support Office		2,898,468	3,096,223
Personnel Expenses - Managed Areas		8,354,448	7,448,758
Porse Subsidies & Placement Fees		2,834,765	2,669,725
Royalties and Marketing Charges		480,717	341,848
Porse Programme Delivery Resources		898,781	918,097
Professional Development & Other Personnel Expenses		492,755	338,780
Conferences & Sundry Expenses		252,227	29,979
Total Direct Operational Expenses		<u>16,212,161</u>	<u>14,843,410</u>
Gross Margin		<u>7,698,184</u>	<u>8,394,317</u>
% to Total Revenue		32.20%	35.89%
Overhead Expenses			
AC Levies		118,499	78,566
Accountancy Fees		113,448	134,960
Audit Fees		12,600	7,252
Advertising and Promotion		1,163,487	1,127,265
Bank Charges		58,661	57,687
Computer Expenses		152,576	139,967
Database Maintenance		106,560	104,343
Donations/Sponsorship		5,355	2,953
Entertainment		40,636	25,945
Fringe Benefit Tax		265,082	231,885
Insurances		81,498	73,711
Legal Fees		127,828	68,746
Motor Vehicle Expenses		1,055,578	945,625
Office Supplies, Printing, Stationery Photocopying and Courier		326,210	303,829
Relocation Expenses		24,775	4,343
Rental, Rates and Premises Expenses		1,748,157	1,593,189
Repairs & Maintenance		38,324	32,414
Subscriptions		7,108	6,849
Sundry Expenses		401,315	292,356
Telephone & IT Expenses		503,835	499,800
Travel & Accommodation		237,883	266,634
Total Overhead Expenses		<u>6,589,413</u>	<u>5,998,319</u>
Total Expenses		<u>22,801,573</u>	<u>20,841,729</u>
Surplus before Depreciation		<u>1,108,771</u>	<u>2,168,038</u>
Less Depreciation		610,610	637,781
		<u>610,610</u>	<u>637,781</u>
Results from Operating Activities		<u>498,161</u>	<u>1,530,257</u>
Finance Income	Interest	318,991	374,772
Dividends	Dividends	2,140	1,954
		<u>321,132</u>	<u>376,726</u>
Finance Costs	Interest paid	1,614	3,425
Net Finance Income		<u>319,518</u>	<u>373,301</u>
Profit before Tax		<u>817,679</u>	<u>1,903,558</u>
Taxation	3	238,053	543,251
Total Comprehensive Income		<u>579,626</u>	<u>1,360,307</u>

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Comprehensive Income for the Year ended 31 December 2012

	<u>31/12/12</u>	<u>31/12/11</u>
Comprehensive Income attributable to -		
Company Shareholders	579,626	1,360,307
Non- controlling interests	-	-
	<u>\$ 579,626</u>	<u>\$ 1,360,307</u>
Earnings per Share -		
Basic earnings per share -		
No of Shares issued	500,000	500,000
Basic Earnings per share	\$ 1.16	\$ 2.72

Statement of Changes in Equity during the Year ended 31 December 2012

	Notes	<u>31/12/12</u>	<u>31/12/11</u>
		\$	\$
Equity at 1 January 2012		2,883,050	1,722,743
Total Comprehensive Income		579,626	1,360,307
Transactions with Owners of the Company -			
Dividends declared		<u>(1,915,000)</u>	<u>(200,000)</u>
Transactions with Owners of the Company		<u>(1,915,000)</u>	<u>(200,000)</u>
Equity at 31 December 2012		<u>1,547,676</u>	<u>2,883,050</u>

PORSE IN-HOME CHILDCARE (NZ) LIMITED
Statement of Financial Position as at 31 December 2012

	Notes	31/12/12	31/12/11
		\$	\$
Assets			
Current Assets	4		
Bank Accounts -			
National Bank Operating Accounts		2,472,586	7,994,622
Term Deposit & Savings Accounts -			
National Bank		-	3,012,116
Westpac Bank		6,000,000	-
Kiwi Bank		1,005,397	1,008,898
		<u>9,477,983</u>	<u>12,015,636</u>
MOE Funding in Advance	4.1	(4,451,519)	(4,711,150)
		<u>5,026,464</u>	<u>7,304,485</u>
Petty Cash and Rent Bonds		8,494	9,174
Accounts Receivable -			
MOE Funding due		682,655	598,339
Sundry		579,706	452,323
Intergroup Receivables	4.2	389,800	187,110
Inland Revenue Dept -			
Income Tax	3.1	237,070	138,312
Prepayments		82,636	89,280
Stock on Hand - Marketing Items		203,273	230,680
Total of Current Assets		<u>7,210,097</u>	<u>9,009,703</u>
Non - Current Assets	5		
Property, Plant & Equipment	5.1		
Leasehold Improvements		336,048	307,818
Office Plant Furniture & Equipment		1,140,900	1,069,675
Signage		237,462	191,521
Motor Vehicles		242,115	319,636
Total of Non - Current Assets		<u>1,956,525</u>	<u>1,888,650</u>
Total Assets		<u>9,166,622</u>	<u>10,898,353</u>
Liabilities			
Current Liabilities	6		
Accounts Payable -			
Sundry	6.1	2,948,613	4,084,562
Accident Compensation Contributions	6.2	189,246	65,599
Intergroup Payables	6.3	2,766,152	2,217,849
Inland Revenue Dept -			
GST		1,299,993	1,371,191
Deferred Tax on Timing Differences	3.1	25,551	49,327
Shareholder's Current Accounts		307,037	144,422
Total of Current Liabilities		<u>7,536,592</u>	<u>7,932,950</u>
Non - Current Liabilities	7		
Shareholders Loan Accounts	7.1	82,353	82,353
Total of Non - Current Liabilities		<u>82,353</u>	<u>82,353</u>
Total Liabilities		<u>7,618,944</u>	<u>8,015,303</u>
Net Assets		<u>1,547,677</u>	<u>2,883,050</u>
Shareholders Equity			
Capital			
500,000 shares paid to		500,000	500,000
Retained Earnings	8	1,047,677	2,383,050
Total Shareholders Equity		<u>1,547,677</u>	<u>2,883,050</u>

Director

Date

28 MAR 2013

Director

Date

28 MAR 2013

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Cash Flows for the year ended 31 December 2012

	<u>31/12/12</u>	<u>31/12/11</u>
	\$	\$
Cash Flows from Operating Activities		
Cash was provided from -		
Receipts from Ministry of Education & Sundry	25,931,868	28,743,965
MOE Funding paid in Advance	259,631	1,111
Finance Income	209,238	278,204
Net GST	(71,199)	(80,623)
	<u>26,329,538</u>	<u>28,942,657</u>
Cash was disbursed to -		
Personnel Expenses	(11,259,156)	(10,544,981)
Payments to Franchisees	(3,229,484)	(5,405,487)
Payments to Suppliers of Services	(11,609,910)	(10,326,225)
Interest Paid	(1,614)	(3,425)
Taxation (Paid) Refund	(336,839)	(648,928)
	<u>(26,437,002)</u>	<u>(26,929,046)</u>
Net Cash Flows from Operating Activities	(107,464)	2,013,610
Cash Flows from Investing Activities		
Cash was provided from -		
Petty Cash and Bond Deposits	680	17,192
Term Deposits and Savings Accounts	-	5,696,047
Sale proceeds from Property, Plant & Equipment	107,043	35,555
	<u>107,723</u>	<u>5,748,794</u>
Cash was disbursed to -		
Petty Cash and Bond Deposits	-	-
Term Deposits and Savings Accounts	(2,984,383)	-
Purchase of Property, Plant & Equipment.	(785,528)	(976,259)
	<u>(3,769,911)</u>	<u>(976,259)</u>
Net Cash Inflow (Outflow) from Investing Activities	(3,662,188)	4,772,535
Cash Flows from Financing Activities		
Cash was disbursed to -		
Payments to Shareholders	(1,752,384)	(484,380)
	<u>(1,752,384)</u>	<u>(484,380)</u>
Net Cash Inflow (Outflow) from Financing Activities	(1,752,384)	(484,380)
Net Increase (Decrease) in Cash held	(5,522,036)	6,301,765
Cash at the beginning of the Year	7,994,622	1,692,857
Cash at end of Year	2,472,586	7,994,622
Bank Balances as per Statement of Financial Position		
Bank Accounts	2,472,586	7,994,622
Total Bank Balances	2,472,586	7,994,622

PORSE IN-HOME CHILDCARE (NZ) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 27 March 2013

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 have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

3 TAXATION

3.1 Income Tax

Surplus before Taxation

Permanent Taxation adjustments

Timing Difference Taxation adjustments

Income for Taxation purposes

Tax at 28c in \$ (2010 30c in \$)

Imputation credits received

Adjustment for prior period

Taxation as above

Taxation for Year as above

RWT, Imputation Credits and Provisional Tax paid

Balance Owing (Refund) at Balance Date

Deferred Tax on Timing Differences

Total Taxation as per Statement of Comprehensive Income

3.2 Imputation Credit Account

Opening balance of available Imputation Credits

Plus Net Taxes paid during the year available for credits

RWT on Interest

IC attached to Dividends

Less Transfers, refunds and adjustments

Credits attributed to Dividends declared

Closing Balance (Debit)

4 CURRENT ASSETS

4.1 MOE Funding in Advance

This comprises -

(a) Ministry of Education ECE Funding Subsidy and 20 Hours ECE Advance Funding

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

Advance payments which have yet to be expended on the equity objectives approved by the Ministry of Education.

4.2 Intergroup Receivables

Advances to -

PORSE Education & Training (NZ) Ltd

For Life Education & Training (NZ) Limited

PORSE Equine Education Limited

PORSE Franchising (NZ) Ltd

	31/12/12	31/12/11
3.1 Income Tax	\$ 238,053	\$ 543,251
Surplus before Taxation	817,679	1,903,558
Permanent Taxation adjustments	29,163	41,737
	\$ 846,842	\$ 1,945,295
Timing Difference Taxation adjustments	\$ 91,253	\$ (176,168)
Income for Taxation purposes	\$ 938,095	\$ 1,769,127
Tax at 28c in \$ (2010 30c in \$)	262,667	495,356
Imputation credits received	(838)	(792)
Adjustment for prior period	-	(640)
Taxation as above	\$ 261,829	\$ 493,924
Taxation for Year as above	\$ 261,829	\$ 494,564
RWT, Imputation Credits and Provisional Tax paid	498,899	632,875
Balance Owing (Refund) at Balance Date	\$ (237,070)	\$ (138,312)
Deferred Tax on Timing Differences	\$ (23,776)	\$ 49,327
Total Taxation as per Statement of Comprehensive Income	\$ 238,053	\$ 543,251
3.2 Imputation Credit Account		
Opening balance of available Imputation Credits	1,331,685	663,599
Plus Net Taxes paid during the year available for credits	263,400	651,533
RWT on Interest	72,354	104,090
IC attached to Dividends	838	792
Less Transfers, refunds and adjustments		(2,615)
Credits attributed to Dividends declared	(820,714)	(85,714)
Closing Balance (Debit)	\$ 847,563	\$ 1,331,685
4 CURRENT ASSETS		
4.1 MOE Funding in Advance	\$ 4,451,519	\$ 4,711,150
This comprises -		
(a) Ministry of Education ECE Funding Subsidy and 20 Hours ECE Advance Funding	4,372,486	4,655,394
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	79,033	55,756
Advance payments which have yet to be expended on the equity objectives approved by the Ministry of Education.		
	\$ 4,451,519	\$ 4,711,150
4.2 Intergroup Receivables	\$ 389,800	\$ 187,110
Advances to -		
PORSE Education & Training (NZ) Ltd	177,034	92,833
For Life Education & Training (NZ) Limited	44,569	-
PORSE Equine Education Limited	18,795	
PORSE Franchising (NZ) Ltd	149,401	94,277
	\$ 389,799	\$ 187,110

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

5	NON - CURRENT ASSETS	\$ 1,956,525	\$ 1,888,650
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 (2011 Nil) was recognised as an Expense in the Statement of Comprehensive Income.		
6	CURRENT LIABILITIES	<u>31/12/12</u>	<u>31/12/11</u>
6.1	Accounts Payable - Sundry	\$ 2,948,613	\$ 4,084,562
	Employee entitlements	1,492,713	1,421,146
	WINZ Subsidies held	295,077	296,570
	Income Tax Instalment due 28 January 2013	138,215	123,116
	Sundry Creditors for supplies and expenses	1,022,607	2,243,730
		<u>\$ 2,948,613</u>	<u>\$ 4,084,562</u>
6.2	Accident Compensation Contributions.	\$ 189,246	\$ 65,599
	Amounts due for accident compensation contributions received from Families.		
6.3	Intergroup Payables	\$ 2,766,152	\$ 2,217,849
	Owing to (by) PORSE Franchising (NZ) Limited	1,606,857	872,709
	Owing to (by) For Life Education & Training (NZ) Limited	34,155	
	Owing to (by) PORSE Education & Training (NZ) Limited	1,125,140	1,345,140
		<u>\$ 2,766,152</u>	<u>\$ 2,217,849</u>
7	NON CURRENT LIABILITIES		
7.1	Shareholders Loan Accounts	\$ 82,353	\$ 82,353
	These are Loans from Shareholders and are not repayable within twelve months from 31 December 2012 unless utilised for an increase in Shareholders Capital. Interest is not payable on the Loans		
8	RETAINED EARNINGS	\$ 1,047,677	\$ 2,383,050
	Opening Balance	2,383,050	1,222,743
	Surplus after Taxation	579,626	1,360,307
	Plus (Less)		
	Dividends declared	(1,915,000)	(200,000)
	Closing Balance	<u>\$ 1,047,677</u>	<u>\$ 2,383,050</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 -		
		<u>31/12/12</u>	<u>31/12/11</u>
	Bank Operating Accounts	\$ 2,472,586	\$ 7,994,622
	Term Deposits and Savings	\$ 1,005,397	\$ 4,021,014
	MOE Funding due	\$ 682,655	\$ 598,339
	Intergroup Receivables	\$ 389,800	\$ 187,110
	Accounts Receivable	\$ 579,706	\$ 452,323
	Income Tax Refund	\$ 237,070	\$ 138,312
	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 92%.		
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 were no capital commitments. (2011 \$18,000.)

Operating Lease Commitments -

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

Commitments are payable as follows -

	31/12/12	31/12/11
Less than one year	1,890,813	1,887,390
Between 1 and 5 years	5,860,271	6,176,143
Greater than 5 years	3,648,679	4,230,024
Total Operating Lease commitments	\$ 11,399,763	\$ 12,293,557

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 -

- There were 19 networks which the Ministry of Education were auditing *20 Hours ECE* funding. The results of these audits have not been determined.
- Guarantee by the ANZ Bank to Freidrich Farms Ltd for Rental of \$26,363. The expiry date is 30 June 2013.

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

	31/12/12	31/12/11
Surplus after Taxation	579,626	1,360,307
Movements in Working Capital-		
(Increase) Decrease in Accounts Receivable	(414,389)	271,001
(Increase) Decrease in Stocks on hand	27,407	(99,172)
(Increase) Decrease in Prepayments	6,644	(30,152)
Increase (Decrease) in MOE Funding in Advance	(259,631)	56,867
Increase (Decrease) in Accounts Payable	(463,999)	(154,312)
Increase (Decrease) in Income Tax	(49,096)	148,481
Net GST	(71,199)	(80,623)
Non - Cash Items -		
Depreciation	610,610	637,781
RWT on Interest	(73,437)	(96,568)
Net Cash Flow from Operating Activities	\$ (107,464)	\$ 2,013,610

13 TRANSACTIONS WITH RELATED PARTIES

PORSE Franchising (NZ) Limited -

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

Balances at 31 December were -

Accounts Receivable	149,401	94,277
Accounts Payable	(1,606,857)	(872,709)
Net Amount Payable	\$ (1,457,456)	\$ (778,432)

For Life Education & Training (NZ) Limited

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

Balances at 31 December were -

Accounts Receivable	44,569	92,833
Accounts Payable	(34,155)	(1,345,140)
Net Amount Payable	\$ 10,414	\$ (1,252,307)

PORSE Equine Education Limited

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

Balances at 31 December were -

Accounts Receivable	18,795	-
Accounts Payable	-	-
Net Amount Payable	\$ 18,795	\$ -

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 were -

Accounts Receivable	177,034	92,833
Accounts Payable	(1,125,140)	(1,345,140)
Net Amount Payable	\$ (948,106)	\$ (1,252,307)

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 - SPECIAL PROGRAMMES **\$ 105,000 \$ 27,225**

The 2012 income relates to funding received to increase ECE participation in Takanini.

The 2011 income relates to Grants for Provisionally Registered Teachers. This programme was stopped in June 2011.

PORSE IN-HOME CHILDCARE (NZ) LIMITED

**Schedule of Property, Plant & Equipment
for the Year ended 31 December 2012**

Asset Type	Cost	Bk Value 31/12/11	Addns (Disposals)	Total	Depreciation Amount	Bk Value 31/12/12
	\$	\$	\$		\$	\$
Leasehold Improvements						
Property Renovation and Improvements	\$ 803,313	\$ 307,818	\$ 98,843	\$ 406,661	\$ 70,613	\$ 336,048
Office Plant, Furniture and Equipment						
Computers, Printers and Software	1,133,658	239,086	226,753	465,839	131,556	334,283
Data Base Development	863,395	273,661	129,125	402,786	146,261	256,525
Office Equipment & Furniture	1,289,284	546,318	128,389	674,707	134,141	540,566
Home Educator Equipment	24,243	8,895	3,345	12,240	2,810	9,430
Vehicle Cargo Barriers	3,720	1,714	-	1,714	619	1,095
	<u>\$ 3,314,300</u>	<u>\$ 1,069,675</u>	<u>\$ 487,612</u>	<u>\$ 1,557,286</u>	<u>\$ 415,388</u>	<u>\$ 1,141,899</u>
Signage	<u>\$ 403,278</u>	<u>\$ 136,977</u>	<u>\$ 120,630</u>	<u>\$ 257,607</u>	<u>\$ 20,145</u>	<u>\$ 237,462</u>
Motor Vehicles						
Motor Vehicles	399,111	242,324	16,044	258,369	71,067	187,302
Vehicle Signage	128,828	54,543	21,543	76,086	22,271	53,815
	<u>\$ 527,939</u>	<u>\$ 374,179</u>	<u>\$ 37,587</u>	<u>\$ 334,455</u>	<u>\$ 93,338</u>	<u>\$ 241,117</u>
Total	<u>\$ 5,048,830</u>	<u>\$ 1,888,650</u>	<u>\$ 744,671</u>	<u>\$ 2,556,009</u>	<u>\$ 599,484</u>	<u>\$ 1,956,525</u>

**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	<u>\$ 162,018</u>	<u>\$ 87,970</u>	<u>\$ 62,456</u>	<u>\$ 150,426</u>	<u>\$ 13,449</u>	<u>\$ 136,977</u>
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>

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 2012, 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 2012, and of its financial performance (a surplus of \$579,626 after taxation) 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.

Other Matters

We did not attend the stock take held on 31 December 2012 and have relied on the stock count provided by the Directors.

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 28 MARCH 2013

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 2012

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PORSE EDUCATION & TRAINING (NZ) LIMITED

COMPANY DIRECTORY AS AT 31 DECEMBER 2012

Nature of Business Providers of Early Childhood Education and Training

Registered Office 31 Napier Road
Havelock North

Directors Jennifer L Yule
Dan Druzianic
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	100,000		100,000
Rugosa Trust		400,000	400,000
	<u>100,000</u>	<u>400,000</u>	<u>500,000</u>

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

PORSE EDUCATION & TRAINING (NZ) LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors present their Annual Report, including Financial Statements, for the Year ended 31 December 2012.

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 -

Surplus before Depreciation and Tax

Depreciation

Surplus before Taxation

Taxation

Surplus after Taxation

The overall result is considered to be satisfactory as the decreased Surplus after Taxation was mainly due to increased salary costs, as the Company embarked on a rewrite of current learning programmes and the development of new programmes.

2.2 Financial Position -

The Financial position is summarised below -

Assets -

Current Assets

Non - Current Assets

Total Assets

Liabilities -

Current Liabilities

Non - Current Liabilities

Total Liabilities

Shareholders Equity

% to Total Assets

% Shareholders Equity, Current Accounts and Loans to Total Assets

The overall Financial Position is sound.

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer Yule, and Alwyn Burr. Paul Houlahan resigned as a director during the year. Dan Druzianic was appointed as a director during the year.

4 REMUNERATION OF DIRECTORS

The Directors did not receive any remuneration during the year but Alwyn J Burr received payments for accounting services of \$4,484 as compared with \$10,532 the previous year.

5 REMUNERATION OF EMPLOYEES

There was one employee who was not a Director whose remuneration and benefits were between \$140,000 and \$150,000.

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

	31/12/12	31/12/11
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.	907,263	783,803
ECE Level 3 Certificate & Module Income charged to PORSE In-Home Childcare (NZ) Ltd	(176,237)	(257,026)
Net Transactions for Year	\$ 881,026	\$ 676,777
Balances at 31 December were -		
Accounts Receivable	1,125,140	1,345,140
Accounts Payable	177,034	92,833
	\$ 948,106	\$ 1,252,307
b. PORSE Franchising (NZ) Ltd -		
ECE Level 3 Certificate & Module Income charged to PORSE Franchising (NZ) Ltd and paid on usual terms of trade.	16,874	44,896
Various Cash Advances	-	170,000
Net Transactions for Year	\$ 16,874	\$ 214,896
Balances at 31 December were -		
Accounts Receivable	170,000	170,000
	\$ 170,000	\$ 170,000
c. PORSE Equine Education Limited Ltd -		
Various Cash Advances	25,000	-
Net Transactions for Year	\$ 25,000	\$ -
Balances at 31 December were -		
Accounts Receivable	25,000	-
	\$ 25,000	\$ -

7 SHARE TRANSACTIONS

Date	Description	A Shares	B Shares
31/01/2012	Transfer from Paul T Houlahan to Jennifer L Yule	80	
31/01/2012	Transfer from Paul T Houlahan to Trustees of Rugosa Trust		80
31/01/2012	Transfer from the Houlahan Family Trust to Trustees of Rugosa Trust		240
27/06/2012	Issue of shares to Jennifer L Yule	99,600	
27/06/2012	Issue of shares to Trustees of Rugosa Trust		398,400

8 DONATIONS

There were no donations during the year.


9 AUDITORS

The amount paid to the Auditors for audit services was \$7,250. (2011 \$4,800) . There were no other services provided.

For and on behalf of the Board

Director

Date


28 MAR 2013

Director

Date


28 MAR 2013

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Performance for the Year ended 31 December 2012

	Notes	31/12/12 Forecast \$	31/12/12 Actual \$	31/12/11 Actual \$
Income				
Tertiary Education Commission Funding		669,588	636,810	595,832
Student Fees		358,070	238,815	341,503
Star Gateway Programme Revenue		586,170	489,575	515,665
BabyCARES & First Aid Training Fees		-	-	8,572
WINZ Programme		32,000	17,900	4,376
Interest received		3,600	15,568	3,671
Sundry Income		-	1,230	5,075
Total Income		\$ 1,649,428	\$ 1,399,898	\$ 1,474,695
Expenses				
Direct Operational Expenses				
Personnel Expenses		569,742	650,661	493,060
AC Levies		3,292	4,739	3,988
BabyCARES & First Aid Delivery Costs		-	-	2,020
Programme Delivery Expenses		35,089	38,702	55,571
WINZ Programme		2,609	1,558	597
Professional Development		6,000	2,559	1,621
Total Direct Operational Expenses		\$ 616,732	\$ 698,218	\$ 556,856
Overhead Expenses				
Accountancy Fees		8,000	4,484	10,532
Advertising		4,800	209	2,218
Audit Fees		5,000	7,250	4,800
Bank Charges		600	273	297
Computer Expenses		3,600	-	5,508
Consultancy		-	9,385	20,880
Electricity & Gas		8,250	7,836	9,013
Entertainment		1,000	90	213
Legal Fees		1,750	2,578	6,924
Licence Fees		4,500	9,000	11,000
Management Fees (Intergroup)		150,000	150,000	150,000
MOE & NZQA Fees		22,000	24,267	20,967
Motor Vehicle Expenses		750	9,643	3,177
Office equipment under \$500		-	47	341
Postages & Courier		42,000	44,851	39,420
Repairs & Maintenance		720	-	-
Sponsorship		-	1,000	-
Staff Recruitment		-	-	401
Stationery, Printing and Photocopying		9,500	9,467	8,706
Subscriptions		5,000	183	4,960
Sundry Expenses		3,600	2,857	384
Telephone, Tolls and Fax		2,400	3,420	3,729
Travel & Accommodation		6,000	3,468	6,169
Total Overhead Expenses		\$ 279,470	\$ 290,308	\$ 309,639
Total Expenses		\$ 896,202	\$ 988,527	\$ 866,495
Operating Surplus before Depreciation		\$ 753,226	\$ 411,371	\$ 608,200
Less				
Depreciation		(12,912)	(15,246)	(8,699)
		(12,912)	(15,246)	(8,699)
Net Surplus before Taxation		\$ 740,314	\$ 396,125	\$ 599,501
Taxation	(3.1)	207,288	117,549	168,190
Net Surplus after Taxation		\$ 533,026	\$ 278,576	\$ 431,311

PORSE EDUCATION & TRAINING (NZ) LIMITED

Statement of Movement in Equity during the Year ended 31 December 2012

	Notes	31/12/12 Forecast \$	31/12/12 Actual \$	31/12/11 Actual \$
Net Surplus for Year		533,026	278,576	431,311
Increase in Capital		-	498,000	-
Total recognised Revenue & Expenses		533,026	776,576	431,311
Dividends declared		(365,000)	(365,000)	(135,000)
Movement in Equity for the Period		168,026	411,576	296,311
Equity at beginning of Year		899,792	899,792	603,481
Equity at end of Year		\$ 1,067,818	\$ 1,311,368	\$ 899,792

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Position as at 31 December 2012

	Notes	31/12/12 Forecast \$	31/12/12 Actual \$	31/12/11 Actual \$
Assets	(4)			
Current Assets				
National Bank Operating Accounts		519,535	686,894	120,675
Accounts Receivable -				
Sundry	(4.1)	20,380	3,114	20,380
Group Companies	(4.2)	1,265,140	1,320,140	1,515,140
Prepayments		-	1,794	-
Student Fee Protection Trust	(4.3)	40,000	40,000	40,000
Inland Revenue Dept -				
Income Tax	(3.2)	-	62,781	28,755
Total of Current Assets		\$ 1,845,055	\$ 2,114,724	\$ 1,724,950
Non - Current Assets	(5)			
Plant & Equipment		1,980	1,981	2,471
Furniture & Fittings		1,703	1,702	1,988
T2P Student Management System		29,472	22,636	18,806
Trademark Fees		8,980	8,980	8,980
Total of Non - Current Assets		\$ 42,135	\$ 35,299	\$ 32,245
Total Assets		\$ 1,887,190	\$ 2,150,023	\$ 1,757,195
Liabilities				
Current Liabilities	(6)			
Accounts Payable -				
Sundry	(6.1)	30,125	152,105	105,851
Group Companies	(6.2)	93,814	177,034	92,833
Inland Revenue Dept -				
GST		8,609	8,240	8,800
Tax		19,258		
Shareholders Current Accounts	(7.1)	567,566	418,923	567,566
Total of Current Liabilities		\$ 719,372	\$ 756,302	\$ 775,050
Non - Current Liabilities	(7)			
Shareholders Loan Accounts	(7.1)	100,000	82,353	82,353
Total of Non - Current Liabilities		\$ 100,000	\$ 82,353	\$ 82,353
Total Liabilities		\$ 819,372	\$ 838,655	\$ 857,403
Net Assets		\$ 1,067,818	\$ 1,311,368	\$ 899,792
Shareholders Equity				
Capital -				
500,000 shares fully paid		2,000	500,000	2,000
Capital Profit on sale of Assets		110,545	110,545	110,545
Retained Earnings	(8)	955,273	700,823	787,247
Total Shareholders Equity		\$ 1,067,818	\$ 1,311,368	\$ 899,792

Director

Date

28 MAR 2013

Director

Date

28 MAR 2013

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Cash Flows
for the Year ended 31 December 2012

	31/12/12 Forecast \$	31/12/12 Actual \$	31/12/11 Actual \$
Cash Flows from Operating Activities			
Cash was provided from -			
Receipts from Tertiary Education Commission & Sundry	1,645,828	1,402,429	1,452,329
Interest Received	2,592	9,745	2,472
	<u>1,648,420</u>	<u>1,412,174</u>	<u>1,454,801</u>
Cash was disbursed to -			
Personnel Expenses	(598,293)	(664,816)	(493,060)
Payments to Suppliers of Services	(372,653)	(204,572)	(423,623)
Taxation Paid	(158,267)	(137,064)	(163,060)
Net GST Paid/Credit	(193)	(560)	(273)
	<u>(1,129,406)</u>	<u>(1,007,011)</u>	<u>(1,080,016)</u>
Net Cash Inflow from Operating Activities	\$ 519,014	\$ 405,162	\$ 374,785
Cash Flows from Investing Activities			
Cash was provided from -			
Funds from National Bank Trust	-	-	1,028
	<u>-</u>	<u>-</u>	<u>1,028</u>
Cash was applied to -			
Student Fee Protection Trust	-	-	(40,000)
Purchase of Non - Current Assets	(22,800)	(18,300)	(18,143)
	<u>(22,800)</u>	<u>(18,300)</u>	<u>(58,143)</u>
Net Cash Inflow (Outflow) from Investing Activities	\$ (22,800)	\$ (18,300)	\$ (57,115)
Cash Flows from Financing Activities			
Cash was provided from -			
Increase in Capital	-	498,000	-
Shareholder loans	17,646	-	-
Repayment of Group Advances	250,000	195,000	-
	<u>267,646</u>	<u>693,000</u>	<u>-</u>
Cash was applied to -			
Shareholders Current Account Advances	-	(148,643)	(239,482)
Advances to Group Companies	-	-	(440,000)
Dividend distributed to Shareholders	(365,000)	(365,000)	-
	<u>(365,000)</u>	<u>(513,643)</u>	<u>(679,482)</u>
Net Cash Inflow (Outflow) from Financing Activities	\$ (97,354)	\$ 179,357	\$ (679,482)
Net Increase (Decrease) in Cash held	\$ 398,860	\$ 566,219	\$ (361,812)
Cash at Start of Year	120,675	120,675	482,487
Balance at end of Year	\$ 519,535	\$ 686,894	\$ 120,675

PORSE EDUCATION & TRAINING (NZ) LIMITED
Notes to and forming part of the Financial Statements
for the Year ended 31 December 2012

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 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.

3 TAXATION		<u>31/12/12</u>	<u>31/12/11</u>
3.1 Income Tax			
The taxation position is set out below -			
Net Surplus before Taxation		396,125	599,501
Plus -			
Tax Adjustments		23,693	1,178
		<u>\$ 419,818</u>	<u>\$ 600,679</u>
Tax at 28c in \$		117,549	168,190
Total as per Statement of Financial Performance		\$ 117,549	\$ 148,354
3.2 Inland Revenue Dept.- Tax Refund (Tax Payable)		\$ 62,781	\$ 28,755
Total Tax payable as in (3.1)		117,549	168,190
RWT deducted at source		(4,991)	(1,199)
Provisional Tax paid		(175,340)	(195,746)
Balance Due (Refund)		\$ (62,781)	\$ (28,755)
3.3 Imputation Credit Account			
Opening Balance of available credits		305,729	199,327
Plus -			
Taxes paid during the year available for credits		137,062	163,060
RWT deducted at source		4,991	1,199
Less -			
Credits attributed to Dividends declared		(156,429)	(57,857)
Closing Balance of available credits		\$ 291,353	\$ 305,729
4 CURRENT ASSETS			
4.1 Accounts Receivable -			
Sundry -		\$ 3,114	\$ 20,380
Amounts due by Students for course fees.			
4.2 Group Companies -		\$ 1,320,140	\$ 1,515,140
Owing by PORSE In-Home Childcare (NZ) Limited		1,125,140	1,345,140
Owing by PORSE Franchising (NZ) Limited		170,000	170,000
Owing by PORSE Equine Education Limited		25,000	
		<u>\$ 1,320,140</u>	<u>\$ 1,515,140</u>
Various amounts owing for services and supplies.			
4.3 Student Fee Protection Trust		\$ 40,000	\$ 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		\$ 35,299	\$ 32,245
6 CURRENT LIABILITIES			
6.1 Accounts Payable			
Sundry		\$ 152,105	\$ 105,851
Employee entitlements		53,288	39,133
Due to suppliers on usual terms of trade.		40,370	17,794
Income Tax Instalment		58,447	48,924
		<u>\$ 152,105</u>	<u>\$ 105,851</u>
6.2 Group Companies			
PORSE In-Home Childcare (NZ) Ltd		\$ 177,034	\$ 92,833
7 NON - CURRENT LIABILITIES			
7.1 Shareholders Current Accounts and Loan Accounts		\$ 501,276	\$ 649,919
Opening Balance		649,919	754,401
Dividends declared - net after resident withholding tax		349,357	131,375
Increase in Capital		(498,000)	
Cash Drawings		-	(235,857)
Closing Balance		\$ 501,276	\$ 649,919
Comprises -			
Shareholders Current Accounts		\$ 418,924	\$ 567,567
Shareholders Loan Accounts		\$ 82,352	\$ 82,352
The Shareholders Loan Accounts are interest free and are not repayable within twelve months from 31 December 2012 unless utilised for an increase in Shareholders Capital.			
8 RETAINED EARNINGS			
Opening Balance		787,247	490,936
Net Surplus for Year		278,576	431,311
Dividend declared		(365,000)	(135,000)
Closing Balance		\$ 700,823	\$ 787,247

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	\$ 686,894	\$ 120,675
Accounts Receivable - Sundry	\$ 3,114	\$ 20,380
Student Fee Protection Trust	\$ 40,000	\$ 40,000
Accounts Receivable - Group Companies	\$ 1,320,140	\$ 1,515,140
Inland Revenue Dept.- Tax Refund	\$ 62,781	\$ 28,755

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 81.0% (2011: 75.6%) 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 were no capital commitments. (31/12/2011: \$31,600).

11 CONTINGENT LIABILITIES

There were no contingent liabilities at year end. (31/12/2011 - nil)

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

	31/12/12 Forecast	31/12/12 Actual	31/12/11 Actual
Surplus after Taxation	533,026	278,576	431,311
Movements in Working Capital -			
(Increase) Reduction in Accounts Receivable - Sundry	-	17,266	(18,695)
(Increase) Reduction in Accounts Receivable - Group Companies	-	-	-
(Increase) Reduction in Prepayments	-	(1,794)	-
(Increase) Reduction in Accounts Receivable - Taxation	28,755	(29,036)	5,130
Increase (Reduction) in Accounts Payable - Sundry	(75,724)	46,254	15,997
Increase (Reduction) in Accounts Payable - Group Companies	982	84,201	(66,186)
Increase (Reduction) in Accounts Payable - Taxation	20,266	-	-
Net GST	(193)	(560)	(273)
Non-cash Expenses -			
Depreciation	12,912	15,246	8,699
RWT on Interest	(1,008)	(4,990)	(1,199)
Net Cash Flow from Operating Activities	\$ 519,016	\$ 405,162	\$ 374,784

	<u>31/12/12</u>	<u>31/12/11</u>
	<u>Actual</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 were -		
Accounts Receivable	1,125,140	1,345,140
Accounts Payable	177,034	92,833
Net Amount Receivable	\$ 948,106	\$ 1,252,307
13.2 PORSE Franchising (NZ) Limited		
Transactions involve ECE Level 3 Certificate Charges to PORSE Franchising (NZ) Ltd		
Balance at 31 December was -		
Accounts Receivable	170,000	170,000
Net Amount Receivable	\$ 170,000	\$ 170,000
13.2 PORSE Equine Education Limited		
Transactions involve advance for development of Equine Education programme		
Balance at 31 December was -		
Accounts Receivable	25,000	-
Net Amount Receivable	\$ 25,000	\$ -

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>31/12/12</u>	<u>31/12/12</u>
	<u>Forecast</u>	<u>Actual</u>
The results differed from the Forecast for the following reasons -		
16.1 Total Income	\$ 1,649,428	\$ 1,399,898
The Total Income was lower than Forecast due mainly to a reduction in Student Fees and Star Gateway Programme Revenue.		
16.2 Direct Operational Expenses	\$ 616,732	\$ 698,218
There was an overall increase in these Expenses due mainly to higher Salary Expenses.		
16.3 Overhead Expenses & Depreciation	\$ 292,382	\$ 305,554
There was a variation in a range of Expenses with the main variations being increases in Consultancy Fees and Licence Fees.		
16.4 Surplus before Taxation	\$ 740,314	\$ 396,125
Lower than Forecast because of the above variations.		
16.5 Statement of Cash Flows	\$ 519,535	\$ 686,894
Increase in funds at Balance Date were above forecast because of the increase in Share Capital during the year.		

PORSE EDUCATION & TRAINING (NZ) LIMITED

Depreciation Schedule for the year ended 31 December 2012

	Cost	Bk Value 31/12/11	Additions	Depreciation Amount	Depreciation Total	Bk Value 31/12/12
	\$	\$	\$	\$	\$	\$
Plant & Equipment	5,728	2,471		491	3,747	1,980
Furniture & Fittings	11,065	1,988		285	9,363	1,702
T2P Student Management System	26,550	18,806	18,300	14,470	22,214	22,636
Trade Mark Fees	8,980	8,980	-	-	-	8,980
Total	\$ 52,323	\$ 32,246	\$ 18,300	\$ 15,246	\$ 35,324	\$ 35,299

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	8,047	8,047	933	-	-	8,980
Total	\$ 34,180	\$ 22,801	\$ 18,143	\$ 8,699	\$ 20,078	\$ 32,245

GARDINER KNOBLOCH

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

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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 2012, 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 2012, and of its financial performance (a surplus of \$278,576 after taxation) 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 28 MARCH 2013
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 2012**

INDEX

1	Company Directory
2-3	Directors Review
4	Statement of Financial Performance Statement of Movements in Equity
5	Statement of Financial Position
6	Statement of Cash Flows
7-10	Notes to Financial Statements
11	Fixed Asset Schedule

Nature of Business	Services to Franchisees of the PORSE early childcare network.
Registered Office	31 Napier Road HAVELOCK NORTH
Directors	Jennifer L Yule Dan Druzianic Alwyn J Burr
Solicitors	Sainsbury, Logan & Williams HASTINGS
Bankers	National Bank of NZ Limited NAPIER
Business Location	31 Napier Road HAVELOCK NORTH

Page 1

PORSE FRANCHISING (NZ) LIMITED
DIRECTORS' REVIEW FOR THE YEAR ENDED 31 DECEMBER 2012

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 \$634,077 as compared with \$269,451 for the previous year. This higher surplus was due mainly to a decrease in Franchise Termination fees of \$248,000 and a decrease in Management Fees of \$312,000 partially offset by an increase in Taxation of \$142,000.

2.2 Financial Position

	31/12/12	31/12/11
	\$	\$
Equity as per Financial Statements	1,467,824	1,318,947
Shareholders Current Accounts	338,856	195,870
Shareholders Loan Accounts	82,353	82,353
Total Shareholders Investment	<u>1,889,032</u>	<u>1,597,170</u>

This position is considered to be satisfactory.

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer Yule, and Alwyn Burr. Paul Houlahan resigned as a director during the year. Dan Druzianic was appointed as a director during the year.

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 \$1,349. In the year ended 31 December 2011 the amount was \$5,011.

5 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.

	31/12/12	31/12/11
a PORSE In Home Childcare (NZ) Limited -		
Management fees	312,000	624,000
Charges for various expense items which are paid on usual terms of trade	622,987	805,503
Royalties	<u>640,643</u>	<u>317,040</u>
Net Transactions for Year	1,575,630	1,746,543
Balances at 31 December were -		
Accounts Receivable	466,857	91,550
Accounts Payable	149,401	94,277
Inter Company Advances	1,140,000	635,000
b PORSE Education & Training (NZ) Limited		
Inter Company Advances	(170,000)	(170,000)
c PALJYN Investments Ltd		
Inter Company Advances	650,064	650,064
d For Life Education & Training (NZ) Limited		
Inter Company Advances - for operational expenses	30,000	10,000
e Move It (NZ) Limited		
Inter Company Advances	-	2,000

6 SHARE TRANSACTIONS

Date	Description	A Shares	B Shares
31/01/2012	Transfer from Paul T Houlahan to Jennifer L Yule	8	
31/01/2012	Transfer from Paul T Houlahan to Trustees of Rugosa Trust		8
31/01/2012	Transfer from the Houlahan Family Trust to Trustees of Rugosa Trust		24
27/06/2012	Issue of shares to Jennifer L Yule	99,600	
27/06/2012	Issue of shares to Rugosa Trust		398,400

7 AUDITORS

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

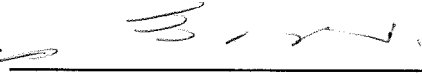
For and on behalf of the Board

Jennifer L Yule


28 MAR 2013

Date

Alwyn J Burr


28 MAR 2013

Date

PORSE FRANCHISING (NZ) LIMITED
Statement of Financial Performance for the Year ended 31 December 2012

	Notes	31/12/12 12 mths \$	31/12/11 12 mths \$
Gross Revenue	2		
Franchise Licence Sales		-	-
Royalties Received		1,266,038	1,403,876
Sundry Income		75,247	40,418
Interest Received		12,556	9,914
Total Revenue		1,353,841	1,454,208
Management and Overhead Expenses	3		
Accountancy Fees		1,349	5,011
Bank Charges		27	244
Consultants		-	2,704
Electricity & Gas		6,587	9,013
Franchise Termination Fees		132,917	381,621
Interest		-	3,908
Legal Fees		1,770	3,640
Share Valuation		7,215	-
Stationery, Printing and Postage		8,196	6,902
Student Training Fees		-	40,969
Subscriptions		339	339
Sundry Expenses		2,000	-
Travel & Accommodation		-	-
Total Management and Overhead Expenses		160,401	454,350
Surplus before Directors Remuneration & Depreciation		1,193,440	999,858
Depreciation		-	1,621
Management Fees to Group Companies		312,000	624,000
		312,000	625,621
Surplus before Taxation		881,440	374,237
Taxation	4.1	247,363	104,786
Surplus after Taxation		634,077	269,451

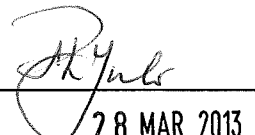
Statement of Movement in Equity during the Year ended 31 December 2012

Start Balance	1,318,947	1,104,496
Plus Increase in Share Capital	499,800	-
Total recognised Revenue & Expenses		
Surplus after Taxation	634,077	269,451
Less Dividends declared	(985,000)	(55,000)
Closing Balance	1,467,823	1,318,947

PORSE FRANCHISING (NZ) LIMITED
Statement of Financial Position as at 31 December 2012

	Notes	31/12/12	31/12/11
	5	\$	\$
Assets			
Current Assets			
National Bank Accounts		5,031	217,381
National Bank Trust Account		35,017	38,529
Accounts Receivable			
Sundry	5.1	-	146,841
Intergroup Receivables	5.2	467,965	91,550
Inter-company advances	5.2		
PALJYN Investments Ltd		650,064	650,064
PORSE In Home Childcare (NZ) Limited		1,140,000	635,000
Move It (NZ) Limited		-	2,000
For Life Education & Training (NZ) Limited		30,000	10,000
Inland Revenue Dept -			
Income Tax	4.2	-	205,356
Total of Current Assets		2,328,077	1,996,720
Non - Current Assets	6		
Fixed Assets	6.1		
Motor Vehicles		-	4,616
Trade Marks		1,285	1,285
Total of Non - Current Assets		1,285	5,901
Total Assets		2,329,362	2,002,622
Liabilities			
Current Liabilities	7		
Accounts Payable			
Sundry	7.1	74,549	107,209
Intergroup Payables	7.2	149,401	94,277
PORSE Education & Training (NZ) Limited	5.2	170,000	170,000
Inland Revenue Dept			
GST		19,803	7,605
Income Tax	4.2	20,193	-
Advertising & Scholarship Funds	7.3	6,384	26,360
Shareholders Current Accounts	7.4	338,856	195,870
Total of Current Liabilities		779,186	601,322
Non - Current Liabilities	9		
Shareholders Loan Accounts	9.1	82,353	82,353
Total of Non - Current Liabilities		82,353	82,353
Total Liabilities		861,539	683,674
Net Assets		1,467,824	1,318,947
Shareholders Equity	10		
Capital 500,000 shares paid to		500,000	200
Capital Profits	10.1	61,463	61,463
Retained Earnings	10.2	906,360	1,257,284
Total Shareholders Equity		1,467,824	1,318,947

The foregoing Financial Statements have not been audited


 Director
 28 MAR 2013 Date


 Director
 28 MAR 2013 Date

PORSE FRANCHISING (NZ) LIMITED

**Statement of Cash Flows
for the Year ended 31 December 2012**

	31/12/12 12 mths \$	31/12/11 12 mths \$
Cash Flows from Operating Activities		
Cash was provided from -		
Receipts from Royalties and Sundry Income	1,108,065	1,826,161
Interest received	9,386	6,670
Net GST	12,197	-
	<u>1,129,649</u>	<u>1,832,831</u>
Cash was disbursed to -		
Personnel Expenses	-	-
Payments to Suppliers of Services	(447,937)	(1,243,655)
Interest Paid	-	(3,908)
Net GST	-	(6,914)
Taxation paid	(18,644)	(360,428)
	<u>(466,581)</u>	<u>(1,614,905)</u>
Net Cash Flows (Out flow) from Operating Activities	663,068	217,926
Cash Flows from Investing Activities		
Cash was provided from -		
Sale of Motor Vehicle	8,261	-
	<u>8,261</u>	<u>-</u>
Net Cash Flow (Out Flow) from Investing Activities	8,261	-
Cash Flows from Financing Activities		
Cash was provided from -		
Increase in share capital	499,800	-
Net Advertising and Scholarship Funds Receipts	-	26,361
	<u>499,800</u>	<u>26,361</u>
Cash was applied to -		
Intergroup Loans	(525,000)	(477,000)
Net Advertising and Scholarship Funds Receipts	(19,976)	-
Distributions to Shareholders	(842,014)	(118,033)
	<u>(1,386,990)</u>	<u>(595,033)</u>
Net Cash Flow (Out Flow) from Financing Activities	(887,190)	(568,672)
Net Increase (Decrease) in Cash held	(215,861)	(350,745)
Opening balance brought forward	255,910	606,655
Ending cash carried forward	40,049	255,910
Bank Balances as per Statement of Financial Position		
National Bank Account	40,048	255,910
Total Bank Balances	40,048	255,910

Reconciliation of Operating Surplus with Cash Flows from Operating Activities

Surplus after Taxation	634,077	269,451
Movements in Working Capital		
(Increase) Decrease in Accounts Receivable - Sundry	146,841	7,038
(Increase) Decrease in Accounts Receivable - Group Companies	(376,415)	374,831
Increase (Decrease) in Accounts Payable - Sundry	(32,659)	9,804
Increase (Decrease) in Accounts Payable - Intergroup	55,124	(179,017)
Increase (Decrease) in Income Tax	(18,644)	(360,428)
Net GST	12,197	(6,914)
Non - Cash Items -		
Depreciation	-	1,620
Write-off of Move It Advance	2,000	-
Gain on sale of Motor Vehicle	(3,645)	-
RWT on Interest	(3,170)	(3,244)
Taxation provided	247,363	104,786
Net Cash Flow from Operating Activities	663,068	217,928

PORSE FRANCHISING (NEW ZEALAND) LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 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.

(l) **Statement of Cash Flows**

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

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.

	<u>31/12/2012</u>	<u>31/12/2011</u>
2 GROSS REVENUE	\$ 1,353,841	\$ 1,454,208
3 MANAGEMENT AND OVERHEAD EXPENSES	\$ 160,401	\$ 454,350
4 TAXATION		
4.1 Income Tax	\$ 247,363	\$ 104,786
The taxation position is set out below -		
Surplus before Taxation	881,440	374,237
Adjustments -	2,000	
	<u>\$ 883,440</u>	<u>\$ 374,237</u>
Taxation Payable	\$ 247,363	\$ 104,786
Prior period adjustment	\$ -	\$ -
	<u>\$ 247,363</u>	<u>\$ 104,786</u>
4.2 Inland Revenue Dept - (Payable) Refund	\$ -	\$ 205,356
Provisional Tax paid	224,000	306,899
RWT on Interest	3,170	3,244
	<u>227,170</u>	<u>310,143</u>
Taxation due as in 4.1	(247,363)	(104,786)
Refund (Balance owing) as per Statement of Financial Position	<u>\$ (20,193)</u>	<u>\$ 205,356</u>
4.3 Imputation Credit Account		
Opening Balance of available credits	644,754	305,132
Plus Taxes paid during the year available for Credits (less Refunds)	31,662	359,950
RWT on Interest	3,170	3,244
Less Adjustment		
Credit attributed to Dividends declared	(422,143)	(23,571)
Closing Balance of available credits	<u>\$ 257,444</u>	<u>\$ 644,754</u>
5 CURRENT ASSETS		
5.1 Accounts Receivable - Sundry	\$ -	\$ 146,841
Amounts due in respect of Sundry Receivables & Advertising/Scholarship Funds		
5.2 Accounts Receivable - Intergroup	\$ 467,965	\$ 91,550
PORSE In-Home Childcare (NZ) Limited	467,965	237,709
	<u>\$ 467,965</u>	<u>\$ 237,709</u>
Inter-company Advances		
PALJYN Investments Limited	650,064	650,064
PORSE In Home Childcare (NZ) Limited	1,140,000	635,000
Move It (NZ) Limited	-	2,000
For Life Education & Training (NZ) Limited	30,000	10,000
PORSE Education & Training (NZ) Limited	(170,000)	(170,000)
Amounts due by Group Companies in respect of various operational charges and Advances		

6 NON - CURRENT ASSETS

6.1 Fixed Assets	\$ 1,285	\$ 5,901
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See Fixed Asset Schedule.

7 CURRENT LIABILITIES

7.1 Accounts Payable - Sundry	\$ 74,549	\$ 107,209
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Amounts payable to suppliers of various services.

7.2 Accounts Payable - Intergroup Payables	\$ 149,401	\$ 94,277
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PORSE In-Home Childcare (NZ) Ltd

149,401	94,277
<u>\$ 149,401</u>	<u>\$ 94,277</u>

Amounts owing to Group Companies for various services and Advances.

7.3 Advertising and Scholarship Funds	\$ 6,384	\$ 26,360
--	----------	-----------

Amounts held on behalf of Franchisees for advertising, marketing and scholarships.

7.4 Shareholders Current Accounts	\$ 338,856	\$ 195,870
--	------------	------------

These amounts advanced by Shareholders are unsecured, do not carry interest and are repayable on demand.

Jennifer L Yule	76,637	48,040
Rugosa Trust	262,219	147,830
Paul T Houlahan	-	-
Houlahan Family Trust	-	-
<u>\$ 338,856</u>	<u>\$ 195,870</u>	

8 FINANCIAL INSTRUMENTS**8.1 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 -

ANZ Bank Accounts	\$ 40,048	\$ 255,910
Accounts Receivable - Sundry	\$ -	\$ 146,841
Accounts Receivable - Group Companies	\$ 467,965	\$ 91,550
Inland Revenue Dept.- Tax Refund	\$ -	\$ 205,356

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.

8.2 Concentrations of Credit Risk

The company is dependent on Royalties from PORSE In Home Childcare (NZ) Limited and Franchised PORSE Offices and which are 93.5% (2011: 96.6%) of Total Income.

8.3 Currency Risk

The Company does not have any exposure to currency risk.

8.4 Interest Rate Risk

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

Liabilities - Nil

8.5 Credit Facilities

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

8.6 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.

9 TERM LIABILITIES

9.1 Shareholders Loan Accounts	<u>\$ 82,353</u>	<u>\$ 82,353</u>
---------------------------------------	------------------	------------------

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
<u>\$ 82,353</u>	<u>\$ 82,353</u>	

10 SHAREHOLDERS EQUITY

10.1 Capital Profits	\$	61,463	\$	61,463
Capital Profit on sale of Property.				
10.2 Retained Earnings	\$	906,360	\$	1,257,284
Opening Balance		1,257,284		1,042,833
Surplus (Deficit) after Taxation		634,077		269,451
Dividends declared		(985,000)		(55,000)
Closing Balance	\$	906,361	\$	1,257,284

11 TRANSACTIONS WITH RELATED PARTIES

PORSE In-Home Childcare (NZ) Limited

Royalties

\$	640,643	\$	317,040
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Charge for Management Services during the period.

\$	312,000	\$	624,000
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12 CONTINGENT LIABILITIES

The Company had no known contingent liabilities at balance date.

13 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 2012

	Date	Cost \$	Bk Value 31/12/11 \$	Additions (Sales) \$	%	Mths	Deprec. Amount \$	Total \$	Bk Value 31/12/12 \$
Motor Vehicles									
Mazda	05-Aug-05	31,520	4,615	(4,615)	26.00%	DV	-	26,905	-
		31,520	4,615	(4,615)			-	26,905	-
Less Sold									
		31,520	4,615						
Trade Marks									
United Kingdom		1,285	1,285				-	-	1,285
		\$ 32,805	\$ 5,900	\$ -			\$ -	\$ -	\$ 1,285
Less Sold		31,520	4,615						
Net Book Value		\$ 1,285	\$ 1,285						

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	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

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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6	Statement of Financial Position
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12	Depreciation Schedule

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
COMPANY DIRECTORY AS AT 31 DECEMBER 2012

Nature of Business	Providers of education and training focused on parenting, self-growth and personal effectiveness skills.
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Registered Office	31 Napier Road Havelock North
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Directors	Jennifer L Yule Dan Druzianic Alwyn J Burr
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Solicitors	Sainsbury Logan & Williams Napier
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Bankers	National Bank of NZ Limited Napier
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Business Location	31 Napier Road Havelock North
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Shareholders & Shareholding	Shares Voting	Non-voting	Total
Jennifer L Yule	20,000		20,000
Rugosa Trust		80,000	80,000
	<u>20,000</u>	<u>80,000</u>	<u>100,000</u>

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors present their Annual Report, including Financial Statements, for the Year ended 31 December 2012.

1 PRINCIPAL ACTIVITIES

The principal activity during the year was the providing of a range of courses to the PORSE In Home early childhood education staff and educators.

2 REVIEW OF OPERATIONS

	31/12/12	31/12/11
	<u>Actual</u>	<u>Actual</u>
2.1 Financial Performance -		
A summary of the result is set out below -		
Surplus before Depreciation and Tax	67,560	-
Depreciation	1,831	-
Surplus before Taxation	65,729	-
Taxation	(18,404)	-
Surplus after Taxation	\$ 47,325	\$ -

The overall result is considered to be satisfactory in the first year of operations.

2.2 Financial Position -

The Financial position is summarised below -

Assets -

Current Assets	138,774	-
Non - Current Assets	4,209	-

Total Assets

\$ 142,983	\$ -
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Liabilities -

Current Liabilities	95,658	-
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Total Liabilities

\$ 95,658	\$ -
------------------	-------------

Shareholders Equity

\$ 47,325	\$ -
------------------	-------------

% to Total Assets

33.10%

% Shareholders Equity, Current Accounts and Loans to Total Assets

33.10%

The overall Financial Position is sound.

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer L Yule, Dan Druzianic and Alwyn J Burr.

Dan Druzianic was appointed a director on 14 November 2012.

The Financial Statements were authorised for issue by the Board of Directors on 27 March 2013

4 REMUNERATION OF DIRECTORS

The Directors did not receive any remuneration during the year.

5 REMUNERATION OF EMPLOYEES

There were no employees 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 had an interest

	31/12/12	31/12/11
(a) PORSE In-Home Childcare (NZ) Ltd -		
Course Fees	257,800	-
Charges for various Expense Items which are paid on usual terms of trade.	190,242	-
Net Transactions for Year	\$ 448,042	\$ -
Balances at 31 December were -		
Accounts Receivable	34,155	-
Accounts Payable	(13,569)	-
	\$ 20,586	\$ -
Advance of funds	\$ (31,000)	
(b) PORSE Franchising (NZ) Ltd -		
Advances of funds	30,000	-
Net Transactions for Year	\$ 30,000	\$ -
Balances at 31 December were -		
Accounts Receivable	-	-
Accounts Payable	-	-
	\$ -	\$ -

Examined for Audit
Gardiner Knobloch

Advance of funds

\$ (30,000)

7 SHARE TRANSACTIONS

There were no share transactions during the year.

8 DONATIONS

There were no donations during the year.

9 AUDITORS

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

For and on behalf of the Board

Director

Date

Director

Date

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Performance for the Year ended 31 December 2012

	Notes	31/12/12 Actual \$	31/12/11 Actual \$
Income			
Course Fees		257,800	-
Interest received		1	-
Sundry Income		-	-
Total Income		\$ 257,801	\$ -
Expenses			
Direct Operational Expenses			
Personnel Expenses		92,400	-
Programme Delivery Expenses		59,317	-
Professional Development		302	-
Total Direct Operational Expenses		\$ 152,019	\$ -
Overhead Expenses			
Accountancy Fees		-	-
Advertising		8,119	-
Audit Fees		-	-
Bank Charges		50	-
Computer Expenses		-	-
Consultancy		16,906	-
Electricity & Gas		-	-
Entertainment		-	-
Interest Paid		-	-
Legal Fees		-	-
Licence Fees		-	-
Management Fees (Intergroup)		-	-
Motor Vehicle Expenses		-	-
Office equipment under \$500		-	-
Postages & Courier		-	-
Repairs & Maintenance		-	-
Staff Recruitment		-	-
Stationery, Printing and Photocopying		100	-
Subscriptions		20	-
Sundry Expenses		4,987	-
Telephone, Tolls and Fax		-	-
Travel & Accommodation		8,040	-
Total Overhead Expenses		\$ 38,223	\$ -
Total Expenses		\$ 190,242	\$ -
Operating Surplus before Depreciation		\$ 67,560	\$ -
Less			
Depreciation		1,831	-
		1,831	-
Net Surplus before Taxation		\$ 65,729	\$ -
Taxation	(3.1)	18,404	-
Net Surplus after Taxation		\$ 47,325	\$ -

Examined for Audit
Gardiner Knobloch

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

Statement of Movement in Equity during the Year ended 31 December 2012

	Notes	31/12/12 Actual \$	31/12/11 Actual \$
Net Surplus for Year		47,325	-
Total recognised Revenue & Expenses		47,325	-
Movement in Equity for the Period		47,325	-
Equity at beginning of Year		-	-
Equity at end of Year		\$ 47,325	\$ -

Examined for Audit
Gardiner Knobloch

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Position as at 31 December 2012

	Notes	31/12/12 Actual	31/12/11 Actual
		\$	\$
Assets	(4)		
Current Assets			
National Bank Operating Accounts		104,619	-
Accounts Receivable - Group Companies	(4.1)	34,155	-
Total of Current Assets		<u>\$ 138,774</u>	<u>\$ -</u>
Non - Current Assets	(5)		
Website		4,209	-
Total of Non - Current Assets		<u>\$ 4,209</u>	<u>\$ -</u>
Total Assets		<u>\$ 142,983</u>	<u>\$ -</u>
Liabilities			
Current Liabilities	(6)		
Accounts Payable - Group Companies	(6.1)	13,569	-
Advance from PORSE In Home Childcare (NZ) Limited		31,000	-
PORSE Franchising (NZ) Limited		30,000	-
Inland Revenue Dept - GST		2,685	-
Income Tax	(3.2)	18,404	-
Total of Current Liabilities		<u>\$ 95,658</u>	<u>\$ -</u>
Total Liabilities		<u>\$ 95,658</u>	<u>\$ -</u>
Net Assets		<u>\$ 47,325</u>	<u>\$ -</u>
Shareholders Equity			
Capital - 100,000 shares unpaid		-	-
Retained Earnings	(8)	47,325	-
Total Shareholders Equity		<u>\$ 47,325</u>	<u>\$ -</u>

Director

Director

Date

28/3/13

Date

28/3/13

Examined for Audit
Gardiner Knobloch

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Statement of Cash Flows
for the Year ended 31 December 2012

	31/12/12 Actual \$	31/12/11 Actual \$
Cash Flows from Operating Activities		
Cash was provided from -		
Receipts from Student Fees	223,645	-
Interest Received	1	-
	<u>223,646</u>	<u>-</u>
Cash was disbursed to -		
Personnel Expenses	(92,400)	-
Payments to Suppliers of Services	(23,273)	-
Taxation Paid	-	-
Net GST Paid/Credit	2,685	-
	<u>(112,988)</u>	<u>-</u>
Net Cash Inflow from Operating Activities	\$ 110,659	\$ -
Cash Flows from Investing Activities		
Cash was applied to -		
Deposit to Bank Deposits Account	-	-
Purchase of Fixed Assets	(6,040)	-
	<u>(6,040)</u>	<u>-</u>
Net Cash Inflow (Outflow) from Investing Activities	\$ (6,040)	\$ -
Net Increase (Decrease) in Cash held	\$ 104,619	\$ -
Cash at Start of Year	-	-
Balance at end of Year	\$ 104,619	\$ -

Examined for Audit
Gardiner Knobloch

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Notes to and forming part of the Financial Statements
for the Year ended 31 December 2012

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting Entity

For Life Education & Training (NZ) Limited is a company registered under the Companies Act 1993 and the company is an exempt company for the purposes of the Financial Reporting Act 1993.

The Financial Statements of the company have been prepared in compliance with section 12 of that Act and with the Financial Reporting Order 1994. Further the company has provided additional information in accordance with the framework for Differential Reporting.

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) 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.

(e) 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.

(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.

2.1 Changes in Accounting Policies

This is the company's first year of operations. The accounts are for a period of 14 months.

	31/12/12	31/12/11
3 TAXATION		
3.1 Income Tax		
The taxation position is set out below -		
Net Surplus before Taxation	65,729	-
Plus -		
Tax Adjustments	-	-
	<u>\$ 65,729</u>	<u>\$ -</u>
Tax at 28c in \$	18,404	-
Total as per Statement of Financial Performance	<u>\$ 18,404</u>	<u>\$ -</u>
3.2 Inland Revenue Dept.- Tax Refund (Tax Payable)	<u>\$ (18,404)</u>	<u>\$ -</u>
Total Tax payable as in (3.1)	18,404	-
RWT deducted at source	-	-
Provisional Tax paid	-	-
Balance Due (Refund)	<u>\$ 18,404</u>	<u>\$ -</u>
3.3 Imputation Credit Account		
Opening Balance of available credits	-	-
Plus -		
Taxes paid during the year available for credits	-	-
RWT deducted at source	-	-
Less -		
Credits attributed to Dividends declared	-	-
Closing Balance of available credits	<u>\$ -</u>	<u>\$ -</u>
4 CURRENT ASSETS		
4.1 Group Companies -	<u>\$ 34,155</u>	<u>\$ -</u>
Owing by PORSE In-Home Childcare (NZ) Limited	34,155	-
	<u>\$ 34,155</u>	<u>\$ -</u>
Amounts owing for Course fees		
5 NON - CURRENT ASSETS		
As per Schedule	<u>\$ 4,209</u>	<u>\$ -</u>
6 CURRENT LIABILITIES		
6.1 Group Companies	<u>\$ 74,569</u>	<u>\$ -</u>
PORSE In-Home Childcare (NZ) Ltd - Accounts Payable	\$ 13,569	\$ -
PORSE In-Home Childcare (NZ) Ltd - Advance	\$ 31,000	\$ -
PORSE Franchising (NZ) Ltd -Advance	\$ 30,000	\$ -
Advances of funds and various amounts owing for services and supplies.	<u>\$ 74,569</u>	<u>\$ -</u>
7 RETAINED EARNINGS		
Opening Balance	-	-
Net Surplus for Year	47,325	-
Dividend declared	-	-
Closing Balance	<u>\$ 47,325</u>	<u>\$ -</u>

8 FINANCIAL INSTRUMENTS**8.1 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	\$ 104,619	\$ -
Accounts Receivable - Group Companies	\$ 34,155	\$ -

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.

8.2 Concentrations of Credit Risk

The company is dependent on sales to PORSE In Child Childcare (NZ) Limited 100% of Total Income.

8.3 Currency Risk

The Company does not have any exposure to currency risk.

8.4 Interest Rate Risk

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

Liabilities - Nil

8.5 Credit Facilities

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

8.6 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.

9 CAPITAL COMMITMENTS

At balance date there were no capital commitments.

10 CONTINGENT LIABILITIES

There were no contingent liabilities at year end.

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

	<u>31/12/12</u> <u>Actual</u>	<u>31/12/11</u> <u>Actual</u>
Surplus after Taxation	47,325	-
Movements in Working Capital -		
(Increase) Reduction in Accounts Receivable - Sundry	-	-
(Increase) Reduction in Accounts Receivable - Group Companies	(34,155)	-
Increase (Reduction) in Accounts Payable - Advances Group Companies	61,000	-
Increase (Reduction) in Accounts Payable - Group Companies	13,569	-
Increase (Reduction) in Accounts Payable - Taxation	18,404	-
Net GST	2,685	-
Non-cash Expenses -		
Depreciation	1,831	-
RWT on Interest	-	-
Net Cash Flow from Operating Activities	\$ 110,659	\$ -

12 TRANSACTIONS WITH RELATED PARTIES

12.1 PORSE In-Home Childcare (NZ) Ltd

Transactions involve Management Fees and various Expenses charged by PORSE In-Home Childcare (NZ) Limited to offset student course fee charges to that Company.

Balances at 31 December were -

Accounts Receivable	34,155	-
Accounts Payable	(13,569)	-
Net Amount Receivable	\$ 20,586	\$ -
Advance from PORSE In Home Chidcare (NZ) Limited	\$ (31,000)	

12.2 PORSE Franchising (NZ) Ltd

Transactions involve advances of funds from PORSE Franchising (NZ) Limited to meet operational costs.

Balances at 31 December were -

Accounts Receivable	-	-
Accounts Payable	-	-
Net Amount Receivable	\$ -	\$ -
Advance from PORSE Franchising (NZ) Limited	\$ (30,000)	

13 SIGNIFICANT EVENTS AFTER BALANCE DATE

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

14 SEGMENTAL INFORMATION

The Company will operate throughout New Zealand in the provision of education focused on parenting, self-growth and personal effectiveness skills.

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

Depreciation Schedule for the year ended 31 December 2012

	Cost	Bk Value 31/12/11	Additions	Rate	Depreciation Amount	Total	Bk Value 31/12/12
	\$	\$	\$		\$	\$	\$
Website	-	-	6,040	50%	1,831	1,831	4,209
Total	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -