

PORSE IN-HOME CHILDCARE (NZ) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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**Examined for Audit
Gardiner Knobloch**

PORSE IN-HOME CHILDCARE (NZ) LIMITED

COMPANY DIRECTORY AS AT 31 DECEMBER 2013

Nature of Business Providers of Early Childhood Services

Registered Office 31 Napier Road
HAVELOCK NORTH

Directors Jennifer L Yule
Dan Druzianic
Alwyn J Burr
Andrew IG Harwood
Amanda J Fleming

Auditors Gardiner Knobloch
NAPIER

Solicitors Sainsbury, Logan & Williams
NAPIER

Chen Palmer
WELLINGTON

Bankers ANZ Bank New Zealand Limited
Kiwi Bank 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>

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PORSE IN-HOME CHILDCARE (NZ) LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors present their Annual Report, including Financial Statements for the Year ended 31 December 2013.

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>31/12/13</u>	<u>31/12/12</u>
Surplus before Depreciation and Taxation	561,915	1,428,289
Plus(Less) -		
Depreciation	<u>(647,975)</u>	<u>(610,610)</u>
Profit (Loss) before Taxation	(86,060)	817,679
Taxation	<u>(37,740)</u>	<u>(238,053)</u>
Profit (Loss) after Taxation	<u>\$ (123,799)</u>	<u>\$ 579,626</u>

Financial Position -

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

Total Shareholders Equity	1,123,878	1,547,677
Shareholders Current Accounts	565,428	307,037
Shareholders Loan Accounts	<u>82,353</u>	<u>82,353</u>
	<u>\$ 1,771,658</u>	<u>\$ 1,937,067</u>

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, Alwyn J Burr, Andrew Harwood and Amanda Fleming. Andrew Harwood and Amanda Fleming were appointed directors on 23 May 2013.

4 REMUNERATION OF DIRECTORS

The Remuneration of the Director/Shareholders was -

	<u>31/12/13</u>	<u>31/12/12</u>
Jennifer L Yule	291,644	267,903
Alwyn Burr	15,000	-
Dan Druzianic	15,000	-
Andrew Harwood	7,500	-
Amanda Fleming	<u>8,750</u>	<u>-</u>
	<u>\$ 337,894</u>	<u>\$ 267,903</u>

Payment for Services

Alwyn J Burr Chartered Accountant Ltd - Accounting Services provided	\$ 16,152	\$ 113,448
Presenter at Large Ltd - Amanda Fleming director. Consultancy services	\$ 45,936	\$ 86,600
Markhams HB Ltd - Dan Druzianic director. Consultancy services	\$ 12,000	7,000

5 REMUNERATION OF EMPLOYEES

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

\$110,001 - \$120,000	1	-
\$140,001 - \$150,000	-	2
\$150,001 - \$160,000	1	-
\$160,001 - \$170,000	1	-
\$170,001 - \$180,000	-	1
\$180,001 - \$190,000	1	-

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.

PORSE Franchising (NZ) Limited -

Management Fee Received	70,000	312,000
Royalties and Marketing Charges	<u>(602,926)</u>	<u>(640,643)</u>
Various Advances (Payable)/Receivable	<u>(772,863)</u>	<u>(622,987)</u>
	<u>\$ (1,305,789)</u>	<u>\$ (951,630)</u>

Balances at 31 December were -

Accounts Receivable	91,125	149,401
Accounts Payable	<u>(325,228)</u>	<u>(1,606,857)</u>
Net Amount Receivable/(Payable)	<u>\$ (234,103)</u>	<u>\$ (1,457,456)</u>

PORSE Education & Training (NZ) Limited -

Management Fee Received	160,000	150,000
Charges and Advances for various Expense Items paid on usual terms of trade.	<u>(769,758)</u>	<u>(760,024)</u>
ECE Level 3 Certificate and module Expenses and Nanny Intern Fees	<u>(219,336)</u>	<u>(176,237)</u>
	<u>\$ (829,094)</u>	<u>\$ (786,261)</u>

Balances at 31 December were -

Accounts Receivable	191,834	177,034
Accounts Payable	<u>(706,220)</u>	<u>(1,125,140)</u>
Net Amount Receivable/(Payable)	<u>\$ (514,386)</u>	<u>\$ (948,106)</u>

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Gardiner Knobloch**

For Life Education & Training (NZ) Limited -

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

<u>31/12/13</u>	<u>31/12/12</u>
70,000	-
(159,019)	(190,242)
<u>\$ (89,019)</u>	<u>\$ (190,242)</u>

Balances at 31 December were -

Accounts Receivable
Accounts Payable
Net Amount Receivable/(Payable)

66,617	44,569
(44,735)	(34,155)
<u>\$ 21,882</u>	<u>\$ 10,414</u>

PORSE Equine Education Limited

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

(26,950)	(16,344)
<u>\$ (26,950)</u>	<u>\$ (16,344)</u>

Balances at 31 December were -

Accounts Receivable
Net Amount Receivable/(Payable)

30,643	18,796
<u>\$ 30,643</u>	<u>\$ 18,796</u>

PALJYN Investments Limited -

Rental Paid

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

7 SHARE TRANSACTIONS

There were no share transactions during the year.

8 DONATIONS

Donations made during the year totalled


<u>31/12/13</u>	<u>31/12/12</u>
\$ 167	\$ 3,312

9 AUDITORS

Amount paid to the Auditors for auditing services
Amount paid to the Auditors for other services.


\$ 8,000	\$ 10,000
\$ -	\$ 2,600

For and on behalf of the Board



30 April 2014
Date

Director



30 April 2014
Date

Director

Date

**Examined for Audit
Gardiner Knobloch**

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Comprehensive Income for the Year ended 31 December 2013

Continuing Operations	Notes	<u>31/12/13</u>	<u>31/12/12</u>
Revenue		\$	\$
Ministry of Education Funding		23,448,244	25,128,416
Franchise Payments		<u>(2,030,011)</u>	<u>(3,119,908)</u>
		21,418,233	22,008,508
Ministry of Education Funding - Special Programmes	16	108,000	105,000
Sundry Income		576,779	396,952
Depreciation Recovered on Asset Sales		1,759	11,228
Wage Administration Charges		914,895	926,656
Management Fees from Associated Companies		<u>300,000</u>	<u>462,000</u>
Total Revenue		<u>23,319,665</u>	<u>23,910,345</u>
Expenses			
Direct Operational Expenses			
Personnel Expenses - National Support Office		2,549,304	2,898,468
Personnel Expenses - Managed Areas		9,394,452	8,354,448
Porse Subsidies & Placement Fees		2,780,467	2,834,765
Royalties and Marketing Charges		562,436	480,717
Porse Programme Delivery Resources		891,463	898,781
Professional Development & Other Personnel Expenses		601,261	492,755
Conferences & Sundry Expenses		<u>42,952</u>	<u>252,227</u>
Total Direct Operational Expenses		<u>16,822,334</u>	<u>16,212,161</u>
Gross Margin		<u>6,497,331</u>	<u>7,698,184</u>
% to Total Revenue		27.86%	32.20%
Overhead Expenses			
AC Levies		93,041	118,499
Accountancy Fees		16,152	113,448
Audit Fees		8,000	12,600
Advertising and Promotion		1,138,344	1,163,487
Bank Charges		45,855	58,661
Computer Expenses		113,140	152,576
Database Maintenance		96,020	106,560
Directors Fees		46,250	-
Donations/Sponsorship		18,210	5,355
Entertainment		60,423	40,636
Fringe Benefit Tax		272,378	265,082
Insurances		90,626	81,498
Legal Fees		37,180	127,828
Motor Vehicle Expenses		1,100,308	1,055,578
Office Supplies, Printing, Stationery Photocopying and Courier		349,544	326,210
Relocation Expenses		4,473	24,775
Rental, Rates and Premises Expenses		1,659,936	1,748,157
Repairs & Maintenance		25,738	38,324
Subscriptions		4,625	7,108
Sundry Expenses		389,467	401,315
Telephone & IT Expenses		284,388	503,835
Travel & Accommodation		<u>256,692</u>	<u>237,883</u>
Total Overhead Expenses		<u>6,110,790</u>	<u>6,589,413</u>
Total Expenses		<u>22,933,124</u>	<u>22,801,573</u>
Surplus before Depreciation		<u>386,541</u>	<u>1,108,771</u>
Less Depreciation		647,975	610,610
		647,975	610,610
Results from Operating Activities		<u>(261,434)</u>	<u>498,161</u>
Finance Income	Interest	173,909	318,991
Dividends	Dividends	2,254	2,140
		<u>176,164</u>	<u>321,132</u>
Finance Costs	Interest paid	789	1,614
Net Finance Income		<u>175,374</u>	<u>319,518</u>
Profit (Loss) before Tax		<u>(86,060)</u>	<u>817,679</u>
Taxation		37,740	238,053
Total Comprehensive Income for the Year		<u>(123,799)</u>	<u>579,626</u>

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PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Comprehensive Income for the Year ended 31 December 2013

	<u>31/12/13</u>	<u>31/12/12</u>
Comprehensive Income attributable to -		
Company Shareholders	(123,799)	579,626
Non- controlling interests	-	-
Total Comprehensive Income for the Year	<u>\$ (123,799)</u>	<u>\$ 579,626</u>

Statement of Changes in Equity during the Year ended 31 December 2013

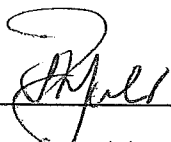
	Notes	<u>31/12/13</u>	<u>31/12/12</u>
		\$	\$
Equity at 1 January 2013		1,547,677	2,883,050
Total Comprehensive Income for the Year		(123,799)	579,626
Transactions with Owners of the Company -			
Dividends declared		(300,000)	(1,915,000)
Transactions with Owners of the Company		<u>(300,000)</u>	<u>(1,915,000)</u>
 Equity at 31 December 2013		 <u>1,123,878</u>	 <u>1,547,677</u>

**Examined for Audit
Gardiner Knobloch**

PORSE IN-HOME CHILDCARE (NZ) LIMITED
Statement of Financial Position as at 31 December 2013

	Notes	31/12/13	31/12/12
		\$	\$
Assets			
Current Assets	4		
Bank Accounts -			
National Bank Operating Accounts		1,452,399	2,472,586
Term Deposit & Savings Accounts -			
Westpac Bank		-	6,000,000
Kiwi Bank		1,504,651	1,005,397
		<u>2,957,050</u>	<u>9,477,983</u>
MOE Funding in Advance	4.1	(99,458)	(4,451,519)
		<u>2,857,591</u>	<u>5,026,464</u>
Petty Cash and Rent Bonds		8,920	8,494
Accounts Receivable -			
MOE Funding due		530,461	682,655
Sundry		461,412	579,706
Intergroup Receivables	4.2	367,217	389,800
Inland Revenue Dept -			
Income Tax	3.1	210,815	237,070
Prepayments		131,432	82,636
Stock on Hand - Marketing Items		135,625	203,273
Total of Current Assets		<u>4,703,474</u>	<u>7,210,097</u>
Non - Current Assets	5		
Property, Plant & Equipment	5.1		
Leasehold Improvements		314,174	336,048
Office Plant Furniture & Equipment		1,026,878	1,140,900
Signage		222,546	237,462
Motor Vehicles		164,388	242,115
Total of Non - Current Assets		<u>1,727,986</u>	<u>1,956,525</u>
Total Assets		<u>6,431,460</u>	<u>9,166,622</u>
Liabilities			
Current Liabilities	6		
Accounts Payable -			
Sundry	6.1	2,971,354	2,948,613
Accident Compensation Contributions	6.2	13,134	189,246
Intergroup Payables	6.3	1,076,183	2,766,152
Inland Revenue Dept -			
GST		560,275	1,299,993
Deferred Tax on Timing Differences	3.1	38,856	25,551
Shareholder's Current Accounts		565,428	307,037
Total of Current Liabilities		<u>5,225,230</u>	<u>7,536,592</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>5,307,582</u>	<u>7,618,944</u>
Net Assets		<u>1,123,878</u>	<u>1,547,677</u>
Shareholders Equity			
Capital			
500,000 shares paid to		500,000	500,000
Retained Earnings	8	623,878	1,047,677
Total Shareholders Equity		<u>1,123,878</u>	<u>1,547,677</u>

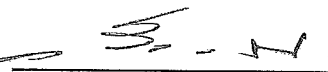
Director



Date

30 April 2014

Director



Date

30 April 2014

Examined for Audit
Gardiner Knobloch

PORSE IN-HOME CHILDCARE (NZ) LIMITED

Statement of Cash Flows for the year ended 31 December 2013

	<u>31/12/13</u>	<u>31/12/12</u>
	\$	\$
Cash Flows from Operating Activities		
Cash was provided from -		
Receipts from Ministry of Education & Sundry	21,268,445	26,191,499
Advanced receipts from Ministry of Education applied 2013	4,352,061	259,631
Finance Income	171,804	209,238
Net GST	(739,718)	(71,199)
	<u>25,052,593</u>	<u>26,589,169</u>
Cash was disbursed to -		
Personnel Expenses	(11,820,801)	(11,259,156)
Payments to Franchisees	(2,032,370)	(3,229,484)
Payments to Suppliers of Services	(12,760,988)	(11,609,910)
Interest Paid	(789)	(1,614)
Taxation (Paid) Refund	(145,044)	(336,839)
	<u>(26,759,993)</u>	<u>(26,437,003)</u>
Net Cash used in Operating Activities	<u>(1,707,400)</u>	<u>152,166</u>
Cash Flows from Investing Activities		
Cash was provided from -		
Petty Cash and Bond Deposits	-	680
Term Deposits and Savings Accounts	5,500,746	-
Sale proceeds from Property, Plant & Equipment	28,260	107,043
	<u>5,529,006</u>	<u>107,723</u>
Cash was disbursed to -		
Petty Cash and Bond Deposits	(426)	-
Term Deposits and Savings Accounts	-	(2,984,383)
Purchase of Property, Plant & Equipment	(447,696)	(785,528)
	<u>(448,122)</u>	<u>(3,769,911)</u>
Net Cash from (used in) Investing Activities	<u>5,080,884</u>	<u>(3,662,188)</u>
Cash Flows from Financing Activities		
Cash was disbursed to -		
MOE Funding paid in Advance	(4,352,061)	(259,631)
Payments to Shareholders	(41,609)	(1,752,384)
	<u>(4,393,670)</u>	<u>(2,012,015)</u>
Net Cash used in Financing Activities	<u>(4,393,670)</u>	<u>(2,012,015)</u>
Net Increase (Decrease) in Cash held	<u>(1,020,187)</u>	<u>(5,522,037)</u>
Cash at the beginning of the Year	2,472,586	7,994,622
Cash at end of Year	<u>1,452,399</u>	<u>2,472,586</u>
Bank Balances as per Statement of Financial Position		
Bank Accounts	1,452,399	2,472,586
Total Bank Balances	<u>1,452,399</u>	<u>2,472,586</u>

**Examined for Audit
Gardiner Knobloch**

PORSE IN-HOME CHILDCARE (NZ) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

GENERAL INFORMATION

These financial statements are for Porse In-Home Childcare (NZ) Limited ('the company').

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The company has adopted External Reporting Board Standard A1 '*Accounting Standards Framework (For-profit Entities Update)*' ('XRB A 1'). For the purposes of complying with NZ GAAP, the company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The Financial Statements were authorised for issue by the Board of Directors on 30 April 2014

(b) Statutory Base

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

(c) 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.

(d) Use of Estimates and Judgements

The preparation of Financial Statements in conformity with NZ IFRS RDR 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) 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)(ii) Borrowings

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

(h)(iii) 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 so 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 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.

(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.

2.1 Changes in Accounting Policies

The company has adopted XRB A1 that establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The company is eligible to and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR). In adopting NZ IFRS RDR, the company has taken advantage of a number of disclosure concessions. There were no other impacts on the current or prior year financial statements of transitioning to NZ IFRS RDR.

3 TAXATION

3.1 Income Tax

Profit (Loss) before Taxation

Permanent Taxation adjustments

Timing Difference Taxation adjustments

Income for Taxation purposes

Tax at 28c in \$

Imputation credits received

Taxation

Taxation for Year as above

RWT 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

	<u>31/12/13</u>	<u>31/12/12</u>
	\$ 37,740	\$ 238,053
	(86,060)	817,679
	37,642	29,163
	\$ (48,417)	\$ 846,842
	\$ 138,771	\$ 91,253
	\$ 90,354	\$ 938,095
	25,299	262,667
	(864)	(838)
	\$ 24,435	\$ 261,829
	\$ 24,435	\$ 261,829
	235,250	498,899
	\$ (210,815)	\$ (237,070)
	\$ 13,305	\$ (23,776)
	\$ 37,740	\$ 238,053
	847,563	1,331,685
	338,215	263,400
	35,250	72,354
	864	838
	(237,068)	
	(116,667)	(820,714)
	\$ 868,158	\$ 847,563
	\$ 99,458	\$ 4,451,519
	-	4,372,486
	99,458	79,033
	\$ 99,458	\$ 4,451,519
	\$ 367,217	\$ 389,800
	191,835	177,034
	66,617	44,569
	30,643	18,795
	78,122	149,401
	\$ 367,217	\$ 389,799

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

5	NON - CURRENT ASSETS	\$ 1,727,986	\$ 1,956,525
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 (2012 Nil) was recognised as an Expense in the Statement of Comprehensive Income.		
6	CURRENT LIABILITIES	<u>31/12/13</u>	<u>31/12/12</u>
6.1	Accounts Payable - Sundry	\$ 2,971,354	\$ 2,948,613
	Employee entitlements	1,829,046	1,492,713
	WINZ Subsidies held	312,002	295,077
	Income Tax Instalment due 28 January 2013	-	138,215
	Sundry Creditors for supplies and expenses	830,306	1,022,607
		<u>\$ 2,971,354</u>	<u>\$ 2,948,613</u>
6.2	Accident Compensation Contributions.	\$ 13,134	\$ 189,246
	Amounts due for accident compensation contributions received from Families.		
6.3	Intergroup Payables	\$ 1,076,183	\$ 2,766,152
	Owing to (by) PORSE Franchising (NZ) Limited	325,229	1,606,857
	Owing to (by) For Life Education & Training (NZ) Limited	44,735	34,155
	Owing to (by) PORSE Education & Training (NZ) Limited	706,220	1,125,140
		<u>\$ 1,076,183</u>	<u>\$ 2,766,152</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 2013 unless utilised for an increase in Shareholders Capital. Interest is not payable on the Loans		
8	RETAINED EARNINGS	\$ 623,878	\$ 1,047,677
	Opening Balance	1,047,677	2,383,050
	Profit (Loss) after Taxation	(123,799)	579,626
	Plus (Less)		
	Dividends declared	(300,000)	(1,915,000)
	Closing Balance	<u>\$ 623,877</u>	<u>\$ 1,047,677</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 stated at fair value are -	<u>31/12/13</u>	<u>31/12/12</u>
	Bank Operating Accounts	\$ 1,452,399	\$ 2,472,586
	Term Deposits and Savings	\$ 1,504,651	\$ 1,005,397
	MOE Funding due	\$ 530,461	\$ 682,655
	Intergroup Receivables	\$ 367,217	\$ 389,800
	Accounts Receivable	\$ 461,412	\$ 579,706
	Income Tax Refund	\$ 210,815	\$ 237,070
	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. (2012 Nil.)

Operating Lease Commitments -

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

Commitments are payable as follows -

	31/12/13	31/12/12
Less than one year	2,009,865	1,890,813
Between 1 and 5 years	5,695,474	5,860,271
Greater than 5 years	3,982,740	3,648,679
Total Operating Lease commitments	\$ 11,688,079	\$ 11,399,763

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 -

- Guarantee by the ANZ Bank to Botany Life Community Trust for Rental of \$26,364. The expiry date is 30 June 2014.
- The Company issued a guarantee to Kiwibank on 11 April 2008 for \$2 million for the advance made to PALJYN Investments Limited for the building at 31 Napier Road, Havelock North. The Directors do not expect any demand to be made by Kiwibank on the guarantee.

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

	31/12/13	31/12/12
Surplus after Taxation	(123,799)	579,626
Movements in Working Capital-		
(Increase) Decrease in Accounts Receivable	293,071	(414,389)
(Increase) Decrease in Stocks on hand	67,648	27,407
(Increase) Decrease in Prepayments	(48,796)	6,644
Increase (Decrease) in Accounts Payable	(1,843,340)	(463,999)
Increase (Decrease) in Income Tax	(8,996)	(49,097)
Net GST	(739,718)	(71,199)
Non - Cash Items -		
Deferred Tax	13,305	-
Depreciation	647,975	610,610
RWT on Interest	35,250	(73,437)
Net Cash Flow from Operating Activities	\$ (1,707,400)	\$ 152,166

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	78,122	149,401
Accounts Payable	(325,228)	(1,606,857)
Net Amount Payable	\$ (247,106)	\$ (1,457,456)

For Life Education & Training (NZ) Limited

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

Balances at 31 December were -

Accounts Receivable	66,617	44,569
Accounts Payable	(44,735)	(34,155)
Net Amount Payable	\$ 21,882	\$ 10,414

PORSE Equine Education Limited

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

Balances at 31 December were -

Accounts Receivable	30,643	18,795
Net Amount Payable	\$ 30,643	\$ 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	191,834	177,034
Accounts Payable	(706,220)	(1,125,140)
Net Amount Payable	\$ (514,386)	\$ (948,106)

PALJYN Investments Ltd

Rental Paid

\$ 322,920	\$ 322,920
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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.

**Examined for Audit
Gardiner Knobloch**

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

\$	108,000	\$	105,000
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The 2013 income relates to funding received to increase ECE participation in Takanini.

Examined for Audit
Gardiner Knobloch

PORSE IN-HOME CHILDCARE (NZ) LIMITED

**Schedule of Property, Plant & Equipment
for the Year ended 31 December 2013**

Asset Type	Cost	Bk Value 31/12/12	Addns (Disposals)	Total	Depreciation Amount	Bk Value 31/12/13
	\$	\$	\$		\$	\$
Leasehold Improvements						
Property Renovation and Improvements	\$ 695,962	\$ 336,048	\$ 41,455	\$ 377,503	\$ 63,329	\$ 314,174
Office Plant, Furniture and Equipment						
Computers, Printers and Software	965,926	334,283	59,021	393,304	187,605	205,700
Data Base Development	916,771	256,525	182,501	439,025	161,248	277,776
Office Equipment & Furniture	1,283,215	540,566	126,886	667,452	131,607	535,845
Home Educator Equipment	21,469	9,430	572	10,001	3,145	6,856
Vehicle Cargo Barriers	3,720	1,095	-	1,095	394	701
	<u>\$ 3,191,101</u>	<u>\$ 1,069,675</u>	<u>\$ 368,979</u>	<u>\$ 1,510,877</u>	<u>\$ 483,999</u>	<u>\$ 1,026,878</u>
Signage	<u>\$ 288,806</u>	<u>\$ 237,462</u>	<u>\$ 11,382</u>	<u>\$ 248,844</u>	<u>\$ 26,298</u>	<u>\$ 222,546</u>
Motor Vehicles						
Motor Vehicles	320,132	187,301	(26,502)	160,799	54,917	105,884
Vehicle Signage	109,339	53,814	22,675	76,489	17,985	58,504
	<u>\$ 429,471</u>	<u>\$ 374,179</u>	<u>\$ (3,827)</u>	<u>\$ 237,288</u>	<u>\$ 72,902</u>	<u>\$ 164,388</u>
Total	<u><u>\$ 4,605,340</u></u>	<u><u>\$ 1,888,650</u></u>	<u><u>\$ 417,989</u></u>	<u><u>\$ 2,374,512</u></u>	<u><u>\$ 646,528</u></u>	<u><u>\$ 1,727,986</u></u>

**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>\$ 1,069,674</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><u>\$ 5,048,830</u></u>	<u><u>\$ 1,888,650</u></u>	<u><u>\$ 744,671</u></u>	<u><u>\$ 2,556,009</u></u>	<u><u>\$ 599,484</u></u>	<u><u>\$ 1,956,525</u></u>

**Examined for Audit
Gardiner Knobloch**

GARDINER KNOBLOCH

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

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

CHARTERED
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of Porse In-Home Childcare (NZ) Limited on pages 1 to 15, which comprise the statement of financial position as at 31 December 2013, 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 New Zealand generally accepted accounting practice 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 New Zealand generally accepted accounting practice 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 2013, and of its financial performance (a loss of \$86,060) 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 2013 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 30 APRIL 2014
ADDRESS BOX 145 NAPIER

Partners

Ewan Gardiner CA • Graeme Knobloch CA • Peter Gillies CA

PORSE FRANCHISING (NZ) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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.
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Registered Office 31 Napier Road
HAVELOCK NORTH

Directors	Jennifer L Yule Dan Druzianic Alwyn J Burr Amanda J Fleming Andrew IG Harwood
------------------	---

Solicitors Sainsbury, Logan & Williams
HASTINGS

Bankers	ANZ Bank of NZ Limited NAPIER
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Business Location 31 Napier Road
HAVELOCK NORTH

Shareholders & Shareholding		SHARES	
		Voting	Non Voting
	Jennifer L Yule	100,000	
	Rugosa Trust		400,000
		<u>100,000</u>	<u>400,000</u>

PORSE FRANCHISING (NZ) LIMITED
DIRECTORS' REVIEW FOR THE YEAR ENDED 31 DECEMBER 2013

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 \$758,104 as compared with \$634,077 for the previous year. This higher surplus was due mainly to no Franchises being terminated in 2013 (2012 Termination fees of \$132,917) and a decrease in Management Fees of \$242,000 partially offset by an increase in Taxation of \$56,724.

2.2 Financial Position

	31/12/13	31/12/12
	\$	\$
Equity as per Financial Statements	1,775,928	1,467,824
Shareholders Current Accounts	757,606	338,856
Shareholders Loan Accounts	82,353	82,353
Total Shareholders Investment	<u>2,615,886</u>	<u>1,889,032</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, Alwyn Burr and Dan Druzianic. Andy Harwood and Amanda Fleming were appointed as directors 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 \$128. In the year ended 31 December 2012 the amount was \$1,349.

5 ENTRIES IN THE INTERESTS REGISTER

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

	31/12/13	31/12/12
a PORSE In Home Childcare (NZ) Limited -		
Management fees	70,000	312,000
Charges for various expense items which are paid on usual terms of trade	772,863	622,987
Royalties	602,926	640,643
Net Transactions for Year	<u>1,445,789</u>	<u>1,575,630</u>
Balances at 31 December were -		
Accounts Receivable	242,252	466,857
Accounts Payable	65,119	149,401
Inter Company Advances	-	1,140,000
b PORSE Education & Training (NZ) Limited		
Inter Company Advances	-	(170,000)
Accounts Payable	69,109	
c PALJYN Investments Ltd		
Inter Company Advances	673,466	650,064
d For Life Education & Training (NZ) Limited		
Inter Company Advances - for operational expenses	30,000	30,000
e PORSE Equine Education Limited		
Subvention losses payment	69,109	-

6 SHARE TRANSACTIONS

There were no share transactions during the year.

7 AUDITORS

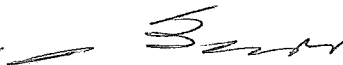
The shareholders of the Company have voted unanimously not to appoint Auditors.

For and on behalf of the Board

Jennifer L Yule



Alwyn J Burr



Date

30 April 2014

Date

30 April 2014.

PORSE FRANCHISING (NZ) LIMITED

Statement of Financial Performance for the Year ended 31 December 2013

	Notes	31/12/13 12 mths \$	31/12/12 12 mths \$
Gross Revenue	2		
Royalties Received		1,183,564	1,266,038
Sundry Income		-	75,247
Interest Received		45,057	12,556
Total Revenue		<u>1,228,621</u>	<u>1,353,841</u>
Management and Overhead Expenses	3		
Accountancy Fees		128	1,349
Bank Charges		30	27
Consultants		400	-
Electricity & Gas		9,094	6,587
Franchise Termination Fees		-	132,917
Interest		1,710	-
Legal Fees		120	1,770
Share Valuation		-	7,215
Stationery, Printing and Postage		9,586	8,196
Subscriptions		708	339
Subvention payment		69,109	-
Sundry Expenses		5,546	2,000
Total Management and Overhead Expenses		<u>96,430</u>	<u>160,401</u>
Surplus before Directors Remuneration & Depreciation		<u>1,132,191</u>	<u>1,193,440</u>
Management Fees to Group Companies		70,000	312,000
		<u>70,000</u>	<u>312,000</u>
Surplus before Taxation		<u>1,062,191</u>	<u>881,440</u>
Taxation	4.1	304,087	247,363
Surplus after Taxation		<u>758,104</u>	<u>634,077</u>

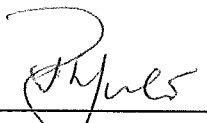
Statement of Movement in Equity during the Year ended 31 December 2013

Start Balance	1,467,823	1,318,947
Plus Increase in Share Capital		499,800
Total recognised Revenue & Expenses		
Surplus after Taxation	758,104	634,077
Less Dividends declared	(450,000)	(985,000)
Closing Balance	<u>1,775,928</u>	<u>1,467,823</u>

PORSE FRANCHISING (NZ) LIMITED
Statement of Financial Position as at 31 December 2013

	Notes	31/12/13	31/12/12
	5	\$	\$
Assets			
Current Assets			
ANZ Bank Accounts		345,945	5,031
ANZ Bank Trust Account		36,304	35,017
ANZ Bank Term Deposit		1,520,029	-
Accounts Receivable			
Sundry	5.1	85,848	-
Intergroup Receivables	5.2	242,252	467,965
Inter-company advances	5.2		
PALJYN Investments Ltd		673,466	650,064
PORSE In Home Childcare (NZ) Limited		-	1,140,000
For Life Education & Training (NZ) Limited		30,000	30,000
Inland Revenue Dept -			
Income Tax	4.2	16,157	-
Total of Current Assets		<u>2,950,002</u>	<u>2,328,077</u>
Non - Current Assets	6		
Fixed Assets	6.1		
Motor Vehicles		-	-
Trade Marks		1,285	1,285
Total of Non - Current Assets		<u>1,285</u>	<u>1,285</u>
Total Assets		<u>2,951,287</u>	<u>2,329,362</u>
Liabilities			
Current Liabilities	7		
Accounts Payable			
Sundry	7.1	84,811	74,549
Intergroup Payables	7.2	134,228	149,401
PORSE Education & Training (NZ) Limited	5.2	-	170,000
Inland Revenue Dept			
GST		33,474	19,803
Income Tax	4.2	-	20,193
Advertising & Scholarship Funds	7.3	62,859	6,384
Phil Sanders Sunshine Fund	7.4	20,029	-
Shareholders Current Accounts	7.5	757,606	338,856
Total of Current Liabilities		<u>1,093,007</u>	<u>779,186</u>
Non - Current Liabilities	9		
Shareholders Loan Accounts	9.1	82,353	82,353
Total of Non - Current Liabilities		<u>82,353</u>	<u>82,353</u>
Total Liabilities		<u>1,175,359</u>	<u>861,539</u>
Net Assets		<u>1,775,928</u>	<u>1,467,824</u>
Shareholders Equity	10		
Capital 500,000 shares fully paid		500,000	500,000
Capital Profits	10.1	61,463	61,463
Retained Earnings	10.2	1,214,464	906,360
Total Shareholders Equity		<u>1,775,928</u>	<u>1,467,824</u>

The foregoing Financial Statements have not been audited



Director



Director

30 April 2014 Date

30 April 2014 Date

PORSE FRANCHISING (NZ) LIMITED

**Statement of Cash Flows
for the Year ended 31 December 2013**

	31/12/13 12 mths \$	31/12/12 12 mths \$
Cash Flows from Operating Activities		
Cash was provided from -		
Receipts from Royalties and Sundry Income	1,324,841	1,108,066
Interest received	20,242	9,386
Net GST	13,671	12,197
	<u>1,358,755</u>	<u>1,129,649</u>
Cash was disbursed to -		
Personnel Expenses	-	-
Payments to Suppliers of Services	(178,115)	(447,937)
Interest Paid	(1,710)	-
Taxation paid	(331,953)	(18,644)
	<u>(511,778)</u>	<u>(466,581)</u>
Net Cash Flows (Out flow) from Operating Activities	846,977	663,068
Cash Flows from Investing Activities		
Cash was provided from -		
Sale of Motor Vehicle	-	8,261
	<u>-</u>	<u>8,261</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
Intergroup Loans	970,000	-
Net Advertising and Scholarship Funds Receipts	76,504	-
	<u>1,046,504</u>	<u>499,800</u>
Cash was applied to -		
Intergroup Loans	-	(525,000)
Term Deposits	(1,520,029)	-
Advertising and Scholarship Funds Payments	-	(19,977)
Distributions to Shareholders	(31,250)	(842,014)
	<u>(1,551,279)</u>	<u>(1,386,991)</u>
Net Cash Flow (Out Flow) from Financing Activities	(504,776)	(887,191)
Net Increase (Decrease) in Cash held	342,201	(215,862)
Opening balance brought forward	40,048	255,910
Ending cash carried forward	382,249	40,048
Bank Balances as per Statement of Financial Position		
National Bank Account	382,249	40,048
Total Bank Balances	382,249	40,048
 Reconciliation of Operating Surplus with Cash Flows from Operating Activities		
Surplus after Taxation	758,104	634,077
Movements in Working Capital		
(Increase) Decrease in Accounts Receivable - Sundry	(85,848)	146,841
(Increase) Decrease in Accounts Receivable - Group Companies	225,713	(376,415)
Increase (Decrease) in Accounts Payable - Sundry	10,262	(32,659)
Increase (Decrease) in Accounts Payable - Intergroup	(15,173)	55,124
Increase (Decrease) in Income Tax	(327,193)	(18,644)
Net GST	13,671	12,197
Non - Cash Items -		
Increase in PALJYN advance due to interest charged	(23,402)	-
Write-off of Move It Advance	-	2,000
Gain on sale of Motor Vehicle	-	(3,645)
RWT on Interest	(13,244)	(3,170)
Taxation provided	304,087	247,363
Net Cash Flow from Operating Activities	846,977	663,068

PORSE FRANCHISING (NEW ZEALAND) LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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. The Company has elected to report in accordance with Tier 4 For-Profit Accounting Standards as the entity is not publicly accountable and is not large.

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 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.

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>31/12/2013</u>	<u>31/12/2012</u>
2 GROSS REVENUE	\$ 1,228,621	\$ 1,353,841
3 MANAGEMENT AND OVERHEAD EXPENSES	\$ 96,430	\$ 160,401
4 TAXATION		
4.1 Income Tax	\$ 304,087	\$ 247,363
The taxation position is set out below -		
Surplus before Taxation	1,062,191	881,440
Adjustments -	23,833	2,000
	<u>\$ 1,086,025</u>	<u>\$ 883,440</u>
Taxation Payable	\$ 304,087	\$ 247,363
A subvention payment of \$69,109 (2012: \$Nil) was paid to PORSE Equine Education Limited.		
4.2 Inland Revenue Dept - (Payable) Refund	\$ 16,157	\$ -
Provisional Tax paid	307,000	224,000
RWT on Interest	13,244	3,170
	<u>320,244</u>	<u>227,170</u>
Taxation due as in 4.1	<u>(304,087)</u>	<u>(247,363)</u>
Balance owing as per Statement of Financial Position	<u>\$ 16,157</u>	<u>\$ (20,193)</u>
4.3 Imputation Credit Account		
Opening Balance of available credits	257,444	644,754
Plus Taxes paid during the year available for Credits (less Refunds)	276,614	31,662
RWT on Interest	13,244	3,170
Less Credit attributed to Dividends declared	<u>(175,000)</u>	<u>(422,143)</u>
Closing Balance of available credits	<u>\$ 372,301</u>	<u>\$ 257,444</u>
5 CURRENT ASSETS		
5.1 Accounts Receivable - Sundry	\$ 85,848	\$ -
Amounts due in respect of Sundry Receivables & Advertising/Scholarship Funds		
5.2 Accounts Receivable - Intergroup	\$ 242,252	\$ 467,965
PORSE In-Home Childcare (NZ) Limited	<u>242,252</u>	<u>467,965</u>
	<u>\$ 242,252</u>	<u>\$ 467,965</u>
Inter-company Advances		
PALJYN Investments Limited	673,466	650,064
PORSE In Home Childcare (NZ) Limited	-	1,140,000
For Life Education & Training (NZ) Limited	30,000	30,000
PORSE Education & Training (NZ) Limited	-	(170,000)
Amounts due by Group Companies in respect of various operational charges and Advances		

6 NON - CURRENT ASSETS**31/12/2013 31/12/2012**

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

7 CURRENT LIABILITIES

7.1 Accounts Payable - Sundry	\$ 84,811	\$ 74,549
Amounts payable to suppliers of various services.		

7.2 Accounts Payable - Intergroup Payables	\$ 134,228	\$ 149,401
PORSE In-Home Childcare (NZ) Ltd	65,119	149,401
PORSE Equine Education Limited	69,109	
	\$ 134,228	\$ 149,401

Amounts owing to Group Companies for various services and Advances.

7.3 Advertising and Scholarship Funds	\$ 62,859	\$ 6,384
Amounts held on behalf of Franchisees for advertising, marketing and scholarships.		

7.4 Phil Sanders Sunshine Fund	\$ 20,029	\$ -
The purpose of the Fund is to support PORSE staff members and their families who are suffering because of an illness, disability or accident which is preventing them working or has caused undue financial hardship.		

7.5 Shareholders Current Accounts	\$ 757,606	\$ 338,856
These amounts advanced by Shareholders are unsecured, do not carry interest and are repayable on demand.		

Jennifer L Yule	160,387	76,637
Rugosa Trust	597,219	262,219
	\$ 757,606	\$ 338,856

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	\$ 382,249	\$ 40,048
Accounts Receivable - Sundry	\$ 85,848	\$ -
Accounts Receivable - Group Companies	\$ 242,252	\$ 467,965

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 96.8% (2012: 93.5%) 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.

31/12/2013 31/12/2012**9 TERM LIABILITIES**

9.1 Shareholders Loan Accounts	\$ 82,353	\$ 82,353
---------------------------------------	------------------	------------------

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
	\$ 82,353	\$ 82,353

	<u>31/12/2013</u>	<u>31/12/2012</u>
10 SHAREHOLDERS EQUITY		
10.1 Capital Profits	\$ 61,463	\$ 61,463
Capital Profit on sale of Property.		
10.2 Retained Earnings	\$ 1,214,464	\$ 906,360
Opening Balance	906,361	1,257,284
Surplus (Deficit) after Taxation	758,104	634,077
Dividends declared	(450,000)	(985,000)
Closing Balance	<u>\$ 1,214,465</u>	<u>\$ 906,361</u>
11 TRANSACTIONS WITH RELATED PARTIES		
PORSE In-Home Childcare (NZ) Limited		
Royalties	\$ 602,926	\$ 640,643
Charge for Management Services during the period.	\$ 70,000	\$ 312,000
PORSE Equine Education Limited		
Subvention payment	\$ 69,109	\$ -
12 CONTINGENT LIABILITIES		
The Company issued a guarantee to Kiwibank on 11 April 2008 for \$2 million for the advance made to PALJYN Investments Limited for the building at 31 Napier Road, Havelock North. The directors do not expect any demand to be made by Kiwibank on the guarantee.		
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 2013

	Date	Cost \$	Bk Value 31/12/12 \$	Additions (Sales) \$	%	Mths	Deprec. Amount \$	Total \$	Bk Value 31/12/13 \$
Trade Marks									
United Kingdom		1,285	1,285				-	-	1,285
		<u>\$ 1,285</u>	<u>\$ 1,285</u>	<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285</u>
Less Sold		-	-						
Net Book Value		<u>\$ 1,285</u>	<u>\$ 1,285</u>						

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	12		26,905	-
		<u>31,520</u>	<u>4,615</u>	<u>(4,615)</u>			<u>-</u>	<u>26,905</u>	<u>-</u>
Less Sold		<u>31,520</u>	<u>4,615</u>						
		<u>-</u>	<u>-</u>						
Trade Marks									-
United Kingdom		1,285	1,285						1,285
		<u>\$ 1,285</u>	<u>\$ 1,285</u>	<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285</u>

PORSE EDUCATION & TRAINING (NZ) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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PORSE EDUCATION & TRAINING (NZ) LIMITED

COMPANY DIRECTORY AS AT 31 DECEMBER 2013

Nature of Business	Providers of Early Childhood Education and Training
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Registered Office 31 Napier Road
Havelock North

Directors	Jennifer L Yule Dan Druzianic Alwyn J Burr Andrew IG Harwood Amanda J Fleming
------------------	---

Auditors Gardiner Knobloch
Napier

Solicitors Sainsbury Logan & Williams
Napier

Bankers	ANZ Bank of NZ Limited Napier
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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.

Examined for Audit
Gardiner Knobloch

PORSE EDUCATION & TRAINING (NZ) LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors present their Annual Report, including Financial Statements, for the Year ended 31 December 2013.

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 consultant costs for the development of new programmes.

<u>31/12/13</u>	<u>31/12/13</u>	<u>31/12/12</u>
<u>Forecast</u>	<u>Actual</u>	<u>Actual</u>
612,847	350,814	411,371
(8,792)	(17,513)	(15,246)
604,055	333,301	396,125
(169,415)	(88,499)	(117,549)
\$ 434,640	\$ 244,801	\$ 278,576

2.2 Financial Position -

The Financial position is summarised below -

Assets -

Current Assets

Non - Current Assets

Total Assets

Liabilities -

Current Liabilities

Non - Current Liabilities

2,266,422	2,273,664	2,114,724
36,508	35,786	35,299
\$ 2,302,930	\$ 2,309,450	\$ 2,150,023
624,569	920,927	756,302
82,353	82,353	82,353
\$ 706,922	\$ 1,003,280	\$ 838,655
\$ 1,596,008	\$ 1,306,170	\$ 1,311,368
69.30%	56.56%	60.99%
91.07%	88.34%	84.31%

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, Alwyn Burr and Dan Druzianic.

Andrew Harwood and Amanda Fleming were appointed as directors 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 \$214 as compared with \$4,484 the previous year.

5 REMUNERATION OF EMPLOYEES

There was one employee who was not a Director whose remuneration and benefits were between \$120,000 and \$130,000 (2012 \$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 had an interest

	<u>31/12/13</u>	<u>31/12/12</u>
a. PORSE In-Home Childcare (NZ) Ltd -		
Management Fees	160,000	150,000
Charges for various Expense Items which are paid on usual terms of trade.	769,758	907,263
ECE Level 3 Certificate & Module Income charged to PORSE In-Home Childcare (NZ) Ltd	(155,336)	(176,237)
Nanny Intern Success Fees	(64,000)	-
Net Transactions for Year	\$ 710,422	\$ 881,026
Balances at 31 December were -		
Accounts Receivable	706,220	1,125,140
Accounts Payable	188,906	177,034
	\$ 517,314	\$ 948,106
b. PORSE Franchising (NZ) Ltd -		
ECE Level 3 Certificate & Module Income charged to PORSE Franchising (NZ) Ltd and paid on usual terms of trade.	7,404	16,874
Various Cash Advances	-	-
Net Transactions for Year	\$ 7,404	\$ 16,874
Balances at 31 December were -		
Accounts Receivable	-	170,000
	\$ -	\$ 170,000

	31/12/13	31/12/12
c. PORSE Equine Education Limited Ltd -		
Various Cash Advances	20,000	25,000
Net Transactions for Year	\$ 20,000	\$ 25,000
Balances at 31 December were -		
Accounts Receivable	45,000	25,000
Accounts Payable	1,156	-
	\$ 43,844	\$ 25,000

\$500 for taxation services was paid during the year to Markhams Hawkes Bay of which Dan Druzianic is a director.

7 SHARE TRANSACTIONS

There were no share transactions during the year.

8 DONATIONS

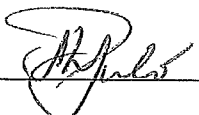
There were no donations during the year.

9 AUDITORS

The amount paid to the Auditors for audit services was \$6,750. (2012 \$7,250) . There were no other services provided.

For and on behalf of the Board


Director



Date

26 March 14

Director



Date

26 March 14

PORSE EDUCATION & TRAINING (NZ) LIMITED

Statement of Financial Performance for the Year ended 31 December 2013

	Notes	31/12/13 Forecast	31/12/13 Actual	31/12/12 Actual
		\$	\$	\$
Income				
Tertiary Education Commission Funding		668,365	668,365	636,810
Student Fees		246,438	200,819	238,815
Star Gateway Programme Revenue		503,563	403,575	489,575
Nanny Intern Programme		106,765	158,220	-
WINZ Programme		-	-	17,900
Interest received		16,000	23,802	15,568
Sundry Income		-	-	1,230
Total Income		\$ 1,541,131	\$ 1,454,781	\$ 1,399,898
Expenses				
Direct Operational Expenses				
Personnel Expenses		593,681	639,814	650,661
AC Levies		4,575	4,233	4,739
Programme Delivery Expenses		38,128	41,413	38,702
WINZ Programme		-	-	1,558
Professional Development		3,600	783	2,559
Total Direct Operational Expenses		\$ 639,984	\$ 686,243	\$ 698,218
Overhead Expenses				
Accountancy Fees		4,000	214	4,484
Advertising		2,400	8,409	209
Audit Fees		5,000	6,750	7,250
Bank Charges		400	368	273
Computer Expenses		3,600	-	-
Consultancy		-	114,768	9,385
Electricity & Gas		8,000	7,845	7,836
Entertainment		500	247	90
Legal Fees		2,500	842	2,578
Licence Fees		9,000	2,637	9,000
Management Fees (Intergroup)		150,000	160,000	150,000
MOE & NZQA Fees		24,000	40,472	24,267
Motor Vehicle Expenses		10,000	9,468	9,643
Office equipment under \$500		-	-	47
Postages & Courier		45,000	40,984	44,851
Repairs & Maintenance		400	-	-
Sponsorship		1,000	-	1,000
Stationery, Printing and Photocopying		9,500	8,737	9,467
Subscriptions		2,500	1,794	183
Sundry Expenses		3,000	5,898	2,857
Telephone, Tolls and Fax		3,500	2,176	3,420
Travel & Accommodation		4,000	6,116	3,468
Total Overhead Expenses		\$ 288,300	\$ 417,724	\$ 290,308
Total Expenses		\$ 928,284	\$ 1,103,967	\$ 988,527
Operating Surplus before Depreciation		\$ 612,847	\$ 350,814	\$ 411,372
Less				
Depreciation		(8,792)	(17,513)	(15,246)
Net Surplus before Taxation		(8,792)	(17,513)	(15,246)
Taxation	(3.1)	\$ 604,055	\$ 333,301	\$ 396,126
Net Surplus after Taxation		\$ 434,640	\$ 244,801	\$ 278,576

**Examined for Audi
Gardiner Knobloch**

PORSE EDUCATION & TRAINING (NZ) LIMITED

Statement of Movement in Equity during the Year ended 31 December 2013

Notes	31/12/13 Forecast \$	31/12/13 Actual \$	31/12/12 Actual \$
Net Surplus for Year	434,640	244,801	278,576
Increase in Capital	-		498,000
Total recognised Revenue & Expenses	434,640	244,801	776,576
Dividends declared	(150,000)	(250,000)	(365,000)
Movement in Equity for the Period	284,640	(5,199)	411,576
Equity at beginning of Year	1,311,368	1,311,368	899,792
Equity at end of Year	<u>\$ 1,596,008</u>	<u>\$ 1,306,169</u>	<u>\$ 1,311,368</u>

**Examined for Audit
Gardiner Knobloch**

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Position as at 31 December 2013

	Notes	31/12/13 Forecast \$	31/12/13 Actual \$	31/12/12 Actual \$
Assets	(4)			
Current Assets				
ANZ Operating Accounts		989,097	406,313	686,894
Accounts Receivable -				
Sundry	(4.1)	5,114	23,028	3,114
Group Companies	(4.2)	1,220,140	751,220	1,320,140
Prepayments		1,794	1,863	1,794
Student Fee Protection Trust	(4.3)	40,000	41,334	40,000
ANZ Term Deposits			1,000,000	-
Inland Revenue Dept -				
Income Tax	(3.2)	10,277	49,907	62,781
Total of Current Assets		\$ 2,266,422	\$ 2,273,664	\$ 2,114,724
Non - Current Assets	(5)			
Plant & Equipment		1,588	1,588	1,981
Furniture & Fittings		1,463	1,463	1,702
T2P Student Management System		24,477	23,755	22,636
Trademark Fees		8,980	8,980	8,980
Total of Non - Current Assets		\$ 36,508	\$ 35,786	\$ 35,299
Total Assets		\$ 2,302,930	\$ 2,309,450	\$ 2,150,023
Liabilities				
Current Liabilities	(6)			
Accounts Payable -				
Sundry	(6.1)	30,628	63,589	152,105
Group Companies	(6.2)	160,000	190,062	177,034
Inland Revenue Dept -				
GST		15,018	15,715	8,240
Shareholders Current Accounts	(7.1)	418,923	651,562	418,923
Total of Current Liabilities		\$ 624,569	\$ 920,927	\$ 756,302
Non - Current Liabilities	(7)			
Shareholders Loan Accounts	(7.1)	82,353	82,353	82,353
Total of Non - Current Liabilities		\$ 82,353	\$ 82,353	\$ 82,353
Total Liabilities		\$ 706,922	\$ 1,003,280	\$ 838,655
Net Assets		\$ 1,596,008	\$ 1,306,170	\$ 1,311,368
Shareholders Equity				
Capital -				
500,000 shares fully paid		500,000	500,000	500,000
Capital Profit on sale of Assets		110,545	110,545	110,545
Retained Earnings	(8)	985,463	695,624	700,823
Total Shareholders Equity		\$ 1,596,008	\$ 1,306,169	\$ 1,311,368

Examined for Audit
Gardiner Knobloch

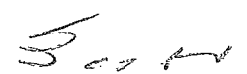
Director



Date

26 March 14

Director



Date

26 March 14

PORSE EDUCATION & TRAINING (NZ) LIMITED
Statement of Cash Flows
for the Year ended 31 December 2013

	31/12/13 Forecast \$	31/12/13 Actual \$	31/12/12 Actual \$
Cash Flows from Operating Activities			
Cash was provided from -			
Receipts from Tertiary Education Commission & Sundry	1,523,132	1,412,320	1,402,429
Interest Received	11,520	22,547	9,745
	<u>1,534,652</u>	<u>1,434,868</u>	<u>1,412,174</u>
Cash was disbursed to -			
Personnel Expenses	(593,681)	(648,717)	(664,816)
Payments to Suppliers of Services	(473,115)	(475,432)	(204,572)
Taxation Paid	(112,431)	(131,000)	(137,064)
Net GST Paid/Credit	6,779	7,475	(560)
	<u>(1,172,449)</u>	<u>(1,247,674)</u>	<u>(1,007,012)</u>
Net Cash Inflow from Operating Activities	\$ 362,203	\$ 187,193	\$ 405,162
Cash Flows from Investing Activities			
Cash was applied to -			
Student Fee Protection Trust	-	(1,334)	-
ANZ Term Deposits	-	(1,000,000)	-
Purchase of Non - Current Assets	(10,000)	(18,000)	(18,300)
	<u>(10,000)</u>	<u>(1,019,334)</u>	<u>(18,300)</u>
Net Cash Inflow (Outflow) from Investing Activities	\$ (10,000)	\$ (1,019,334)	\$ (18,300)
Cash Flows from Financing Activities			
Cash was provided from -			
Increase in Capital	-	-	498,000
Repayment of Group Advances	100,000	568,920	195,000
	<u>100,000</u>	<u>568,920</u>	<u>693,000</u>
Cash was applied to -			
Shareholders Current Account Advances	-	232,639	(148,643)
Advances to Group Companies	-	-	-
Dividend distributed to Shareholders	(150,000)	(250,000)	(365,000)
	<u>(150,000)</u>	<u>(17,361)</u>	<u>(513,643)</u>
Net Cash Inflow (Outflow) from Financing Activities	\$ (50,000)	\$ 551,559	\$ 179,357
Net Increase (Decrease) in Cash held	\$ 302,203	\$ (280,581)	\$ 566,219
Cash at Start of Year	686,894	686,894	120,675
Balance at end of Year	\$ 989,097	\$ 406,313	\$ 686,894

Examined for Audit
Gardiner Knobloch

PORSE EDUCATION & TRAINING (NZ) LIMITED
Notes to and forming part of the Financial Statements
for the Year ended 31 December 2013

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.

The Company has elected to report in accordance with Tier 4 For-Profit Accounting Standards as the entity is not publicly accountable and is not large.

1.2 Measurement Base

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

1.3 Specific Accounting Policies

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

(a) Non - Current Assets

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

(b) Revenues

Revenues are recognised on an accruals basis.

(c) Accounts Receivable

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

(d) Employee Entitlements

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

(e) Leases

Finance Leases

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

Operating Leases

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

(f) Taxation

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

(g) Accounting for Goods & Services Tax

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

(h) Financial Instruments

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

(i) Statement of Cash Flows

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

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

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

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

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

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

(j) Differential Reporting

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

2.1 Changes in Accounting Policies

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

		31/12/13	31/12/12
3 TAXATION			
3.1 Income Tax			
The taxation position is set out below -			
Net Surplus before Taxation		333,301	396,125
Plus -			
Tax Adjustments		(17,232)	23,693
		<u>\$ 316,069</u>	<u>\$ 419,818</u>
Tax at 28c in \$		88,499	117,549
Total as per Statement of Financial Performance		\$ 88,499	\$ 117,549
3.2 Inland Revenue Dept.- Tax Refund (Tax Payable)		\$ 49,907	\$ 62,781
Total Tax payable as in (3.1)		88,499	117,549
RWT deducted at source		(7,406)	(4,991)
Provisional Tax paid		(131,000)	(175,340)
Balance Due (Refund)		\$ (49,907)	\$ (62,781)
3.3 Imputation Credit Account			
Opening Balance of available credits		291,353	305,729
Plus -			
Taxes paid during the year available for credits		189,447	137,062
RWT deducted at source		7,406	4,991
Less -			
Refunds		(62,782)	-
Credits attributed to Dividends declared		(97,222)	(156,429)
Closing Balance of available credits		\$ 328,202	\$ 291,353
CURRENT ASSETS			
4.1 Accounts Receivable -			
Sundry -		\$ 23,028	\$ 3,114
Amounts due by Students for course fees.			
4.2 Group Companies -		\$ 751,220	\$ 1,320,140
Owing by PORSE In-Home Childcare (NZ) Limited		706,220	1,125,140
Owing by PORSE Franchising (NZ) Limited		-	170,000
Owing by PORSE Equine Education Limited		45,000	25,000
		<u>\$ 751,220</u>	<u>\$ 1,320,140</u>
Various amounts owing for services and supplies.			
4.3 Student Fee Protection Trust		\$ 41,334	\$ 40,000
Deposit held on Trust with Hansen Bate Lawyers - solicitors to meet the requirements of the New Zealand Qualifications Authority student fee protection rules. The deposit was transferred from Sainsbury Logan and Williams during the year.			
5 NON - CURRENT ASSETS			
As per Schedule		\$ 35,786	\$ 35,299
6 CURRENT LIABILITIES			
6.1 Accounts Payable			
Sundry		\$ 63,589	\$ 152,105
Employee entitlements		44,352	53,288
Due to suppliers on usual terms of trade.		19,237	40,370
Income Tax Instalment		-	58,447
		<u>\$ 63,589</u>	<u>\$ 152,105</u>
6.2 Group Companies		\$ 190,062	\$ 177,034
PORSE In-Home Childcare (NZ) Ltd		188,906	177,034
PORSE Equine Education Ltd		1,156	-
		<u>\$ 190,062</u>	<u>\$ 177,034</u>
7 NON - CURRENT LIABILITIES			
7.1 Shareholders Current Accounts and Loan Accounts		\$ 733,914	\$ 501,276
Opening Balance		501,276	649,919
Dividends declared - net after resident withholding tax		232,639	349,357
Increase in Capital			(498,000)
Closing Balance		\$ 733,915	\$ 501,276
Comprises -			
Shareholders Current Accounts		\$ 651,562	\$ 418,923
Shareholders Loan Accounts		\$ 82,353	\$ 82,353
The Shareholders Loan Accounts are interest free and are not repayable within twelve months from 31 December 2013 unless utilised for an increase in Shareholders Capital.			
8 RETAINED EARNINGS			
Opening Balance		700,823	787,247
Net Surplus for Year		244,801	278,576
Dividend declared		(250,000)	(365,000)
Closing Balance		\$ 695,624	\$ 700,823

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 -

ANZ Operating Account	\$ 406,313	\$ 686,894
Accounts Receivable - Sundry	\$ 23,028	\$ 3,114
Student Fee Protection Trust	\$ 41,334	\$ 40,000
Accounts Receivable - Group Companies	\$ 751,220	\$ 1,320,140
Inland Revenue Dept.- Tax Refund	\$ 49,907	\$ 62,781
ANZ Term Deposit	\$ 1,000,000	\$ -

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 74% (2012: 81.0%) 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. (31/12/2012: Nil).

11 CONTINGENT LIABILITIES

The Company issued a guarantee to Kiwibank on 11 April 2008 for \$2 million for the advance made to PALJYN Investments Limited for the building at 31 Napier Road, Havelock North. The directors do not expect any demand to be made by Kiwibank on the guarantee.

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

	<u>31/12/13</u> Forecast	<u>31/12/13</u> Actual	<u>31/12/12</u> Actual
Surplus after Taxation	434,640	244,801	278,576
Movements in Working Capital -			
(Increase) Reduction in Accounts Receivable - Sundry	(2,000)	(19,914)	17,266
(Increase) Reduction in Accounts Receivable - Group Companies	-	-	-
(Increase) Reduction in Prepayments	-	(69)	(1,794)
(Increase) Reduction in Accounts Receivable - Taxation	56,984	20,283	(29,036)
Increase (Reduction) in Accounts Payable - Sundry	(121,478)	(33,141)	46,254
Increase (Reduction) in Accounts Payable - Group Companies	(17,034)	13,028	84,201
Increase (Reduction) in Accounts Payable - Taxation	-	-	-
Net GST	6,779	7,475	(560)
Non-cash Expenses -			
Depreciation	8,792	17,513	15,246
RWT on Interest	(4,480)	(7,409)	(4,990)
Net Cash Flow from Operating Activities	\$ 362,203	\$ 242,568	\$ 405,162

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

Accounts Payable

Net Amount Receivable

31/12/13	31/12/12
Actual	Actual
706,220	1,125,140
188,906	177,034
\$ 517,314	\$ 948,106

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

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

Account Payable

Net Amount Receivable

45,000	25,000
1,156	
\$ 43,844	\$ 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

The results differed from the Forecast for the following reasons -

16.1 Total Income

The Total Income was lower than Forecast due mainly to a reduction in Student Fees and Star Gateway Programme Revenue.

31/12/13	31/12/13
Forecast	Actual
\$ 1,541,131	\$ 1,454,781

16.2 Direct Operational Expenses

There was an overall increase in these Expenses due mainly to higher salary expenses.

\$ 639,984	\$ 686,243
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16.3 Overhead Expenses & Depreciation

There was a variation in a range of Expenses with the main variations being increases in Consultancy Fees and Advertising.

\$ 297,092	\$ 435,237
-------------------	-------------------

16.4 Surplus before Taxation

Lower than Forecast because of the above variations.

\$ 604,055	\$ 333,301
-------------------	-------------------

16.5 Statement of Cash Flows

Increase in funds at Balance Date were below forecast because of the lower cash surplus and amount invested into term deposits at balance date.

\$ 989,097	\$ 406,313
-------------------	-------------------

PORSE EDUCATION & TRAINING (NZ) LIMITED

Depreciation Schedule for the year ended 31 December 2013

	Cost	Bk Value 31/12/12	Additions	Depreciation Amount	Depreciation Total	Bk Value 31/12/13
	\$	\$	\$	\$	\$	\$
Plant & Equipment	5,728	1,980		393	4,141	1,586
Furniture & Fittings	11,065	1,703		239	9,603	1,463
T2P Student Management System	44,850	22,636	18,000	16,881	39,094	23,756
Trade Mark Fees	8,980	8,980	-	-	-	8,980
Total	\$ 70,623	\$ 35,300	\$ 18,000	\$ 17,513	\$ 52,838	\$ 35,786

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

GARDINER KNOBLOCH

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

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

CHARTERED
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of Porse Education & Training (NZ) Limited on pages 1 to 12, which comprise the statement of financial position as at 31 December 2013, 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 2013, and of its financial performance (a surplus of \$244,801 after taxation) and its cash flows for the year ended on that date.

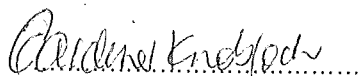
Report on Other Legal and Regulatory Requirements

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

DATE 31 MARCH 2014
ADDRESS BOX 145 NAPIER

Partners

Ewan Gardiner CA • Graeme Knobloch CA • Peter Gillies CA

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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4	Statement of Financial Performance
5	Statement of Movement in Equity
6	Statement of Financial Position
7	Statement of Cash Flows
8 - 11	Notes to Financial Statements
12	Depreciation Schedule

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

COMPANY DIRECTORY AS AT 31 DECEMBER 2013

Nature of Business Providers of education and training focused on parenting, self-growth and personal effectiveness skills.

Registered Office 31 Napier Road
Havelock North

Directors Jennifer L Yule
Dan Druzianic
Alwyn J Burr
Andrew IG Harwood
Amanda J Fleming

Solicitors Sainsbury Logan & Williams
Napier

Bankers ANZ Bank New Zealand Limited
Napier

Business Location 31 Napier Road
Havelock North

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 2013

The Board of Directors present their Annual Report, including Financial Statements, for the Year ended 31 December 2013.

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

2.1 Financial Performance -

A summary of the result is set out below -

Surplus (Deficit) before Depreciation and Tax

Depreciation

Surplus (Deficit) before Taxation

Taxation

Surplus (Deficit) after Taxation

The Deficit for the year was the result of lower number of courses run in 2013.

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

The overall Financial Position is sound.

	<u>31/12/13</u>	<u>31/12/12</u>
	<u>Actual</u>	<u>Actual</u>
Surplus (Deficit) before Depreciation and Tax	(3,751)	67,560
Depreciation	2,105	1,831
Surplus (Deficit) before Taxation	(5,856)	65,729
Taxation	-	(18,404)
Surplus (Deficit) after Taxation	\$ (5,856)	\$ 47,325
Current Assets	134,688	138,774
Non - Current Assets	2,105	4,209
Total Assets	\$ 136,793	\$ 142,983
Current Liabilities	95,324	95,658
Non - Current Liabilities	-	-
Total Liabilities	\$ 95,324	\$ 95,658
Shareholders Equity	\$ 41,469	\$ 47,325
% to Total Assets	30.32%	33.10%

3 DIRECTORS HOLDING OFFICE DURING THE YEAR

The Directors holding office during the year were Jennifer L Yule, Dan Druzianic, Alwyn J Burr, Amanda J Fleming and Andrew IG Harwood. Amanda Fleming and Andrew Harwood were appointed directors on 23 May 2013.

The Financial Statements were authorised for issue by the Board of Directors on 20 March 2014.

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

	<u>31/12/13</u>	<u>31/12/12</u>
(a) PORSE In-Home Childcare (NZ) Ltd -		
Student Fees	155,000	257,800
Charges for various Expense Items which are paid on usual terms of trade.	159,019	190,242
Net Transactions for Year	\$ 314,019	\$ 448,042
Balances at 31 December were -		
Accounts Receivable	44,735	34,155
Accounts Payable	(32,762)	(17,431)
	\$ 11,973	\$ 16,724
(b) PORSE Franchising (NZ) Ltd -		
Advances of funds	31,000	31,000
Net Transactions for Year	\$ 31,000	\$ 31,000
Balances at 31 December were -		
Accounts Receivable	-	31,000
Accounts Payable	-	(31,000)

7 SHARE TRANSACTIONS

There were no share transactions during the year.

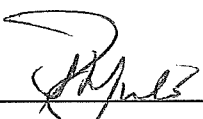
8 DONATIONS


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 26 March 14

Director 
Date 26 March 14

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Performance for the Year ended 31 December 2013

	Notes	31/12/13	31/12/12
		Actual	Actual
		\$	\$
Income			
Student Fees		155,000	257,800
Interest received		7	1
Sundry Income		261	-
Total Income		<u>\$ 155,268</u>	<u>\$ 257,801</u>
Expenses			
Direct Operational Expenses			
Personnel Expenses		63,251	92,400
Programme Delivery Expenses		4,806	59,317
Professional Development		6,200	302
Total Direct Operational Expenses		<u>\$ 74,257</u>	<u>\$ 152,019</u>
Overhead Expenses			
Accountancy Fees		-	-
Advertising		-	8,119
Audit Fees		-	-
Bank Charges		9	50
Computer Expenses		-	-
Consultancy		12,519	16,906
Electricity & Gas		-	-
Entertainment		479	-
Interest Paid		507	-
Legal Fees		-	-
Licence Fees		360	-
Management Fees (Intergroup)		70,000	-
Motor Vehicle Expenses		-	-
Office equipment under \$500		-	-
Postages & Courier		-	-
Repairs & Maintenance		-	-
Staff Recruitment		-	-
Stationery, Printing and Photocopying		-	100
Subscriptions		-	20
Sundry Expenses		871	4,987
Telephone, Tolls and Fax		-	-
Travel & Accommodation		17	8,040
Total Overhead Expenses		<u>\$ 84,762</u>	<u>\$ 38,223</u>
Total Expenses		<u>\$ 159,019</u>	<u>\$ 190,242</u>
Operating Surplus before Depreciation		<u>\$ (3,751)</u>	<u>\$ 67,560</u>
Less			
Depreciation		2,105	1,831
		<u>2,105</u>	<u>1,831</u>
Net Surplus before Taxation		<u>\$ (5,856)</u>	<u>\$ 65,729</u>
Taxation	(3.1)	-	18,404
Net Surplus after Taxation		<u>\$ (5,856)</u>	<u>\$ 47,325</u>

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

Statement of Movement in Equity during the Year ended 31 December 2013

	Notes	31/12/13 Actual \$	31/12/12 Actual \$
Net (Deficit) Surplus for Year		(5,856)	47,325
Total recognised Revenue & Expenses		(5,856)	47,325
Movement in Equity for the Period		(5,856)	47,325
Equity at beginning of Year		47,325	-
Equity at end of Year		<u>\$ 41,469</u>	<u>\$ 47,325</u>

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Statement of Financial Position as at 31 December 2013

	Notes	31/12/13 Actual \$	31/12/12 Actual \$
Assets	(4)		
Current Assets			
National Bank Operating Accounts		74,953	104,619
Accounts Receivable -			
Sundry	(4.1)	-	-
Group Companies	(4.2)	44,735	34,155
Inland Revenue Dept -			
Income Tax	(3.2)	15,000	0
Total of Current Assets		\$ 134,688	\$ 138,774
Non - Current Assets	(5)		
Website		2,105	4,209
Total of Non - Current Assets		\$ 2,105	\$ 4,209
Total Assets		\$ 136,793	\$ 142,983
Liabilities			
Current Liabilities	(6)		
Accounts Payable -			
Sundry	(6.1)	-	-
Group Companies	(6.2)	32,762	13,569
Advance from			
PORSE In Home Childcare (NZ) Limited		31,000	31,000
PORSE Franchising (NZ) Limited		30,000	30,000
Inland Revenue Dept -			
GST		1,562	2,685
Income Tax	(3.2)	-	18,404
Shareholders Current Accounts	(7.1)	-	-
Total of Current Liabilities		\$ 95,324	\$ 95,658
Non - Current Liabilities	(7)		
Shareholders Loan Accounts	(7.1)	-	-
Total of Non - Current Liabilities		\$ -	\$ -
Total Liabilities		\$ 95,324	\$ 95,658
Net Assets		\$ 41,469	\$ 47,325
Shareholders Equity			
Capital -			
100,000 shares unpaid		-	-
Retained Earnings	(8)	41,469	47,325
Total Shareholders Equity		\$ 41,469	\$ 47,325

Director



Date 26 March 14

Director



Date 26 March 14

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED
Statement of Cash Flows
for the Year ended 31 December 2013

	31/12/13 Actual \$	31/12/12 Actual \$
Cash Flows from Operating Activities		
Cash was provided from -		
Receipts from Student Fees	144,420	223,645
Interest Received	7	1
Sundry Income	261	-
	<u>144,688</u>	<u>223,646</u>
Cash was disbursed to -		
Personnel Expenses	(63,251)	(92,400)
Payments to Suppliers of Services	(76,575)	(23,273)
Taxation Paid	(33,404)	-
Net GST Paid/Credit	(1,123)	2,685
	<u>(174,354)</u>	<u>(112,988)</u>
Net Cash Inflow from Operating Activities	\$ (29,666)	\$ 110,659
Cash Flows from Investing Activities		
Cash was applied to -		
Purchase of Fixed Assets	-	(6,040)
	<u>-</u>	<u>(6,040)</u>
Net Cash Inflow (Outflow) from Investing Activities	\$ -	\$ (6,040)
Net Increase (Decrease) in Cash held	\$ (29,666)	\$ 104,619
Cash at Start of Year	104,619	-
Balance at end of Year	\$ 74,953	\$ 104,619

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

Notes to and forming part of the Financial Statements for the Year ended 31 December 2013

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 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.

The Company has elected to report in accordance with Tier 4 For-Profit Accounting Standards as the entity is not publicly accountable and is not large.

1.2 Measurement Base

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

1.3 Specific Accounting Policies

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

(a) Non - Current Assets

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

(b) Revenues

Revenues are recognised on an accruals basis.

(c) Accounts Receivable

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

(d) Employee Entitlements

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

(e) Leases

Finance Leases

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

Operating Leases

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

(f) Taxation

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

(g) Accounting for Goods & Services Tax

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

(h) Financial Instruments

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

(i) Statement of Cash Flows

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

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

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

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

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

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

(j) Differential Reporting

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

2.1 Changes in Accounting Policies

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

		31/12/13	31/12/12
3 TAXATION			
3.1 Income Tax			
The taxation position is set out below -			
Net Surplus (Deficit) before Taxation		(5,856)	65,729
Plus -			
Tax Adjustments		240	-
		<u>\$ (5,616)</u>	<u>\$ 65,729</u>
Tax at 28c in \$		-	18,404
Total as per Statement of Financial Performance		<u>\$ -</u>	<u>\$ 18,404</u>
3.2 Inland Revenue Dept.- Tax Refund (Tax Payable)		<u>\$ 15,000</u>	<u>\$ (18,404)</u>
Total Tax payable as in (3.1)		-	18,404
RWT deducted at source		-	-
Provisional Tax paid		15,000	-
(Balance due) Refund		<u>\$ 15,000</u>	<u>\$ (18,404)</u>
The taxable loss of \$5,616 will be offset against future Taxable Income.			
3.3 Imputation Credit Account			
Opening Balance of available credits		-	-
Plus -			
Taxes paid during the year available for credits		33,404	-
Closing Balance of available credits		<u>\$ 33,404</u>	<u>\$ -</u>
4 CURRENT ASSETS			
4.1 Sundry -		-	-
4.2 Group Companies -		<u>\$ 44,735</u>	<u>\$ 34,155</u>
Owing by PORSE In-Home Childcare (NZ) Limited		44,735	34,155
		<u>\$ 44,735</u>	<u>\$ 34,155</u>
Amounts owing for Course fees			
5 NON - CURRENT ASSETS			
As per Schedule		<u>\$ 2,105</u>	<u>\$ 4,209</u>
6 CURRENT LIABILITIES			
6.1 Group Companies		<u>\$ 32,762</u>	<u>\$ 13,569</u>
PORSE In-Home Childcare (NZ) Ltd		\$ 32,762	\$ 13,569
6.2 Advances			
PORSE In-Home Childcare (NZ) Ltd		\$ 31,000	\$ 31,000
PORSE Franchising (NZ) Ltd		\$ 30,000	\$ 30,000
Advances of funds and various amounts owing for services and supplies.		<u>\$ 61,000</u>	<u>\$ 61,000</u>
7 NON - CURRENT LIABILITIES			
7.1 Shareholders Current Accounts and Loan Accounts		<u>\$ -</u>	<u>\$ -</u>
Closing Balance		\$ -	\$ -
8 RETAINED EARNINGS			
Opening Balance		47,325	-
Net Surplus (Deficit) for Year		(5,856)	47,325
Dividend declared		-	-
Closing Balance		<u>\$ 41,469</u>	<u>\$ 47,325</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 were -

ANZ Bank Operating Account	\$ 74,953	\$ 104,619
Accounts Receivable - Sundry	\$ -	\$ -
Accounts Receivable - Group Companies	\$ 44,735	\$ 34,155
Inland Revenue Dept.- Tax Refund	\$ 15,000	\$ -

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 sales to PORSE In - Home Childcare (NZ) Limited 99.8% (2012: Nil) 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.

11 CONTINGENT LIABILITIES

There were no contingent liabilities at year end. (31/12/2012 - nil)

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

	<u>31/12/13</u> <u>Actual</u>	<u>31/12/12</u> <u>Actual</u>
Surplus after Taxation	(5,856)	47,325
Movements in Working Capital -		
(Increase) Reduction in Accounts Receivable - Sundry	-	-
(Increase) Reduction in Accounts Receivable - Group Companies	(10,580)	(34,155)
(Increase) Reduction in Accounts Receivable - Taxation	(15,000)	-
Increase (Reduction) in Accounts Payable - Advances Group Companies	-	61,000
Increase (Reduction) in Accounts Payable - Group Companies	19,193	13,569
Increase (Reduction) in Accounts Payable - Taxation	(18,404)	18,404
Net GST	(1,123)	2,685
Non-cash Expenses -		
Depreciation	2,105	1,831
Net Cash Flow from Operating Activities	\$ (29,666)	\$ 110,659

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) Limited to offset student course fee charges to that Company.

Balances at 31 December were -

Accounts Receivable	44,735	34,155
Accounts Payable	(32,762)	(13,569)
Advance	(30,000)	(30,000)
Net Amount Receivable	\$ (18,027)	\$ (9,414)

13.2 PORSE Franchising (NZ) Ltd

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

Balances at 31 December were -

Advance	(31,000)	(31,000)
Net Amount Receivable	\$ (31,000)	\$ (31,000)

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 education focused on parenting, self-growth and personal effectiveness skills.

FOR LIFE EDUCATION & TRAINING (NZ) LIMITED

Depreciation Schedule for the year ended 31 December 2013

	Cost	Bk Value 31/12/12	Additions	Rate	Depreciation Amount	Total	Bk Value 31/12/13
	\$	\$	\$		\$	\$	\$
Website	6,040	4,209	-	50%	2,105	3,936	2,105
Total	\$ 6,040	\$ 4,209	\$ -		\$ 2,105	\$ 3,936	\$ 2,105

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	\$ -	\$ -	\$ 6,040		\$ 1,831	\$ 1,831	\$ 4,209