

SMART EDUCATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Company Registration Number 05497433

RSM Tenon Limited

The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

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SMART EDUCATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the members	4
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Balance sheet	9
Consolidated cash flow	10
Notes to the consolidated financial statements	11
The following pages do not form part of the statutory financial statements	
Detailed company profit and loss account	22
Notes to the detailed company profit and loss account	23

SMART EDUCATION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2012

The board of directors	R Fielding HGC Aldous G Lennox DJ Taylor
Company secretary	R Fielding
Business address	Innovate Office Lake View Drive Sherwood Park Annesley Nottingham Nottinghamshire NG15 0DT
Registered office	Innovate Office Lake View Drive Sherwood Park Annesley Nottingham Nottinghamshire NG15 0DT
Auditor	RSM Tenon Audit Limited The Poynt 45 Wollaton Street Nottingham NG1 5FW
Accountants	RSM Tenon Limited The Poynt 45 Wollaton Street Nottingham NG1 5FW

SMART EDUCATION LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2012

The directors present their report and the consolidated financial statements of the group for the year ended 31 December 2012

Principal activity and business review

The principal activity of the company and the group during the year was to act as a recruitment service for qualified school teachers and support staff. The results include those of the subsidiary company Smart Education (Australia) Pty Ltd for both the current and prior year.

The business has continued to provide a recruitment service for publically and privately funded schools by supplying them qualified teachers on a daily, semi-permanent and permanent basis in its two key markets of greater London in the UK and Brisbane, Sydney, Perth and Melbourne in Australia.

The directors are pleased with the performance of the business in what has been a challenging economic environment. Budget expectations were met in the UK business however despite significant increases in Australian revenue the profit performance of the business fell short of expectations.

Effective working capital management and cash flows from profitable trading allowed the company to continue its policy of debt repayment with any surplus cash balances. The directors expect to maintain this policy in 2013.

The directors expect 2013 to remain challenging with schools coming under increasing pressure to reduce spending as part of government reductions to funding in both the UK and Australian markets.

Results and dividends

The profit for the year, after taxation, amounted to £1,020,177. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The company manages these risks by financing its operations through retained profits, supplemented by long-term bank borrowings where necessary to fund expansion or capital expenditure programmes.

The management objectives are to retain sufficient liquid funds to enable it to meet its day to day requirements, minimise the company's exposure to fluctuating interest rates, and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the company's trading activities.

Directors

The directors who served the company during the year were as follows:

R Fielding
HGC Aldous
G Lennox
DJ Taylor

SMART EDUCATION LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2012

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year.

In preparing those consolidated financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Donations

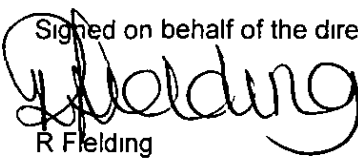
During the year the company made the following contributions

	2012	2011
	£	£
Charitable	434	598

Auditor

RSM Tenon Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors


R Fielding
Director

Approved by the directors on 20 September 2013

SMART EDUCATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART
EDUCATION LIMITED
YEAR ENDED 31 DECEMBER 2012

We have audited the group and parent company consolidated financial statements ("the consolidated financial statements") of Smart Education Limited for the year ended 31 December 2012 on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

SMART EDUCATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART
EDUCATION LIMITED *(continued)*
YEAR ENDED 31 DECEMBER 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company consolidated financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RSM Tenon Audit Limited

Richard Eccles, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited
Statutory Auditor
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

Date 24 September 2013

SMART EDUCATION LIMITED
GROUP CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Group turnover	2	12,791,522	10,302,937
Other operating income	3	—	19,894
		<u>12,791,522</u>	<u>10,322,831</u>
 Staff costs	4	(10,688,336)	(8,907,617)
Depreciation and amortisation	5	(58,070)	(33,800)
Other operating charges		(1,008,476)	(901,357)
 Operating profit	5	<u>1,036,640</u>	<u>480,057</u>
 Interest receivable		50,537	33,884
Interest payable and similar charges	7	(25,131)	(60,067)
 Profit on ordinary activities before taxation		<u>1,062,046</u>	<u>453,874</u>
Tax on profit on ordinary activities	8	(41,869)	—
 Profit for the financial year	9	<u><u>1,020,177</u></u>	<u><u>453,874</u></u>

All of the activities of the group are classed as continuing

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

The notes on pages 11 to 20 form part of these financial statements

SMART EDUCATION LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2012

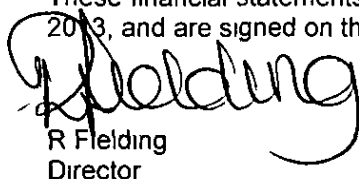
	2012 £	2011 £
Profit for the financial year		
Attributable to the shareholders of the parent company	1,020,177	453,874
Currency translation differences on foreign currency net investments	<u>(995)</u>	<u>1,459</u>
Total gains and losses recognised since the last annual report	<u><u>1,019,182</u></u>	<u><u>455,333</u></u>

The notes on pages 11 to 20 form part of these financial statements

SMART EDUCATION LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2012

	Note	2012 £	2011 £
Fixed assets			
Intangible assets	10	113,106	145,422
Tangible assets	11	37,784	35,638
		<u>150,890</u>	<u>181,060</u>
Current assets			
Debtors	13	1,145,217	855,711
Cash at bank		1,459,626	1,654,530
		<u>2,604,843</u>	<u>2,510,241</u>
Creditors: amounts falling due within one year	14	<u>(2,547,978)</u>	<u>(843,783)</u>
Net current assets		56,865	1,666,458
Total assets less current liabilities		<u>207,755</u>	<u>1,847,518</u>
Creditors amounts falling due after more than one year	15	(240,000)	(2,900,935)
		<u>(32,245)</u>	<u>(1,053,417)</u>
Capital and reserves			
Called-up share capital	18	5,846	5,846
Share premium account	19	578,771	578,771
Profit and loss account	19	(616,862)	(1,638,034)
Shareholders' funds	20	<u>(32,245)</u>	<u>(1,053,417)</u>

These financial statements were approved by the directors and authorised for issue on 20 September 2013, and are signed on their behalf by


R Fielding
Director

The notes on pages 11 to 20 form part of these financial statements

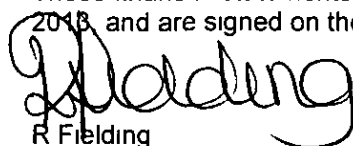
SMART EDUCATION LIMITED

Registered Number 05497433

BALANCE SHEET**31 DECEMBER 2012**

	Note	2012 £	£	2011 £	£
Fixed assets					
Intangible assets	10		113,106		145,422
Tangible assets	11		665		665
Investments	12		–		77,585
			<u>113,771</u>		<u>223,672</u>
Current assets					
Debtors	13	1,146,618		936,462	
Cash at bank		966,566		1,162,435	
		<u>2,113,184</u>		<u>2,098,897</u>	
Creditors: amounts falling due within one year	14	<u>(2,426,817)</u>		<u>(764,265)</u>	
Net current (liabilities)/assets			(313,633)		1,334,632
Total assets less current liabilities			<u>(199,862)</u>		<u>1,558,304</u>
Creditors: amounts falling due after more than one year	15		(240,000)		(2,900,935)
			<u>(439,862)</u>		<u>(1,342,631)</u>
Capital and reserves					
Called-up share capital	18		5,846		5,846
Share premium account	19		578,771		578,771
Profit and loss account	19		(1,024,479)		(1,927,248)
Shareholders' funds			<u>(439,862)</u>		<u>(1,342,631)</u>

These financial statements were approved by the directors and authorised for issue on 20 September 2013, and are signed on their behalf by


R Fielding
Director

The notes on pages 11 to 20 form part of these consolidated financial statements

SMART EDUCATION LIMITED
CONSOLIDATED CASH FLOW
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	£	2011 £	£
Net cash inflow from operating activities	21		907,877		575,376
Returns on investments and Servicing of finance					
Interest received		50,537		33,884	
Interest paid		<u>(25,131)</u>		<u>(60,067)</u>	
Net cash inflow/(outflow) from returns on investments and servicing of finance			25,406		(26,183)
Taxation			(10,744)		9,584
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		–		(161,580)	
Payments to acquire tangible fixed assets		(27,900)		(328)	
Receipts from sale of fixed assets		<u>–</u>		<u>(761)</u>	
Net cash outflow for capital expenditure and financial investment			(27,900)		(162,669)
Cash inflow before financing			894,639		396,108
Financing					
Repayment of debenture loans		<u>(1,089,543)</u>		<u>(271,795)</u>	
Net cash outflow from financing			(1,089,543)		(271,795)
(Decrease)/increase in cash	21		<u>(194,904)</u>		<u>124,313</u>

The notes on pages 11 to 20 form part of these financial statements

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. Accounting policies

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

During the year, the group generated a profit on ordinary activities before taxation of £1,020,177 (2011 £453,874) and at the balance sheet date it had net liabilities of £32,245 (2011 £1,053,417), which are stated after director loan notes of £1,309,173 (2011 £1,672,135) The company had net liabilities of £439,862, (2011 £1,342,631)

The company relies on the shareholders and the loan note holders for financial support. The shareholders and principal loan note holders have undertaken to maintain the existing financial support to enable the company to meet its debts as they fall due. This support includes allowing the company to repay the loans when the company has sufficient cash to do so. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off up to a maximum of 20 years from the year of acquisition. The results of companies acquired or disposed of are included in the consolidated profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group consolidated financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents amounts receivable during the year, exclusive of Value Added Tax.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Negative goodwill is released to the profit and loss account over the period to which the assets, from which the goodwill arose, relates.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Goodwill - 5 years

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. Accounting policies *(continued)*

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Fixtures & fittings	- 25 - 33% straight line
Equipment	- 50% straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The subsidiary company operates a state superannuation pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits to utilise carried forward tax losses and against which the reversal of underlying timing differences can be deducted.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

The profit and loss account of the overseas subsidiary is translated into sterling at average rates of exchange prevailing during the year. The net assets are translated at year end rates and the difference on exchange is recorded as a reserve movement.

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. Accounting policies (continued)

Financial instruments

Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual arrangement

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. A financial liability is any contractual arrangement for an entity to deliver cash to the holder of the associated financial instrument

Investments

Investments in subsidiary companies are stated at cost less provision for diminution in value

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2012	2011
	£	£
United Kingdom	11,112,015	8,959,064
Overseas	1,679,507	1,343,873
	<u>12,791,522</u>	<u>10,302,937</u>

3 Other operating income

	2012	2011
	£	£
Negative goodwill write off	—	19,894
	<u>—</u>	<u>19,894</u>

4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to

	2012	2011
	No	No
Number of administrative staff	62	55
	<u>62</u>	<u>55</u>

The aggregate payroll costs of the above were

	2012	2011
	£	£
Wages and salaries	10,440,185	8,694,591
Social security costs	143,638	126,676
Other pension costs	104,513	86,350
	<u>10,688,336</u>	<u>8,907,617</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

5. Operating profit

Operating profit is stated after charging/(crediting)

	2012	2011
	£	£
Amortisation of intangible assets	32,316	16,158
Depreciation of owned fixed assets	25,754	16,881
Loss on disposal of fixed assets	-	761
Audit and accountancy	13,960	11,075
Operating lease costs		
-Other	124,724	115,962
Net profit on foreign currency translation	<u>(31,916)</u>	<u>(19,051)</u>

6. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2012	2011
	£	£
Remuneration receivable	<u>37,000</u>	<u>46,000</u>

7 Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank borrowing	7,239	-
Other similar charges payable	17,892	60,067
	<u>25,131</u>	<u>60,067</u>

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2012	2011
	£	£
UK taxation		
(Over)/under provision in prior year	1,049	-
Foreign tax		
Current tax on income for the year	40,820	-
	<u>41,869</u>	<u>-</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

8. Taxation on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2011 - 20%)

	2012 £	2011 £
Profit on ordinary activities before taxation	1,062,046	453,874
Profit on ordinary activities by rate of tax	212,409	90,775
Effects of		
Expenses not deductible for tax purposes	592	76,122
Capital allowances for period in excess of depreciation	5,434	582
Utilisation of tax losses	(201,104)	(90,854)
Adjustments to tax charge in respect of previous periods	1,049	-
Other provisions	9,882	(76,625)
Overseas tax suffered	13,607	-
Total current tax (note 8(a))	41,869	-

(c) Factors that may affect future tax charges

The group has trading losses carried forward of £12,398, (2011 £993,955), available for offset against future trading profits

9. Profit attributable to members of the parent company

The profit dealt with in the consolidated financial statements of the parent company was £902,769 (2011 - £351,225)

10. Intangible fixed assets

Group and company	Goodwill £
Cost	
At 1 January 2012 and 31 December 2012	161,580
Amortisation	
At 1 January 2012	16,158
Charge for the year	32,316
At 31 December 2012	48,474
Net book value	
At 31 December 2012	113,106
At 31 December 2011	145,422

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

11. Tangible fixed assets

Group	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 January 2012	97,217	61,879	159,096
Additions	27,900	–	27,900
At 31 December 2012	<u>125,117</u>	<u>61,879</u>	<u>186,996</u>
Depreciation			
At 1 January 2012	62,287	61,171	123,458
Charge for the year	25,754	–	25,754
At 31 December 2012	<u>88,041</u>	<u>61,171</u>	<u>149,212</u>
Net book value			
At 31 December 2012	<u>37,076</u>	<u>708</u>	<u>37,784</u>
At 31 December 2011	<u>34,930</u>	<u>708</u>	<u>35,638</u>
Company	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 January 2012 and 31 December 2012	<u>49,359</u>	<u>61,228</u>	<u>110,587</u>
Depreciation			
At 1 January 2012 and 31 December 2012	<u>48,751</u>	<u>61,171</u>	<u>109,922</u>
Net book value			
At 31 December 2012	<u>608</u>	<u>57</u>	<u>665</u>
At 31 December 2011	<u>608</u>	<u>57</u>	<u>665</u>

12. Investments

Company	Group companies £
Cost	
At 1 January 2012 and 31 December 2012	77,585
Amounts repaid	(77,585)
Net book value	
At 31 December 2012	–
At 31 December 2011	<u>77,585</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

12 Investments (continued)

The investment relates to a loan to Smart Teachers Pty This amount has been repaid in full during the year

The subsidiary company and its principal activity is as follows:

	Nature of business	Class of shares held	Proportion of shares held
Smart Teachers Pty (Registered in Australia)	Recruitment service for qualified school teachers and support staff	Ordinary	100%

13 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	1,055,172	784,662	1,001,810	759,776
Amounts owed by group undertakings	–	–	54,763	105,637
Other debtors	58,770	61,930	58,770	61,930
Prepayments and accrued income	31,275	9,119	31,275	9,119
	<u>1,145,217</u>	<u>855,711</u>	<u>1,146,618</u>	<u>936,462</u>

14. Creditors amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other loans	1,843,187	271,795	1,843,187	271,795
Trade creditors	86,761	46,263	50,456	17,707
Amounts owed to group undertakings	–	–	3	3
Other creditors including taxation and social security				
Overseas and Corporation tax	40,709	9,584	1,049	9,584
PAYE and social security	115,242	106,101	67,284	53,240
VAT	310,167	239,452	312,926	241,348
Other creditors	98	90,190	98	90,190
Accruals and deferred income	151,814	80,398	151,814	80,398
	<u>2,547,978</u>	<u>843,783</u>	<u>2,426,817</u>	<u>764,265</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

15. Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other loans	<u>240,000</u>	<u>2,900,935</u>	<u>240,000</u>	<u>2,900,935</u>

Included in other creditors in less than one year is a 0% unsecured loan note of £76,214, a 0% unsecured loan note of £566,973, a 0% unsecured loan note of £900,000 and a 0% unsecured loan note of £300,000 all of which are due for repayment in 2013. The loan note holders have agreed to allow the business to repay them where there is sufficient cash in the business.

Other loans include a 0% unsecured loan note of £240,000 due on 1 January 2015.

16. Commitments under operating leases

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as set out below:

Group	Land and buildings	
	2012	2011
	£	£
Operating leases which expire		
Within 2 to 5 years	<u>90,755</u>	<u>90,755</u>

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below:

Company	Land and buildings	
	2012	2011
	£	£
Operating leases which expire		
Within 2 to 5 years	<u>90,755</u>	<u>90,755</u>

17. Related party transactions

The company has taken advantage of the exemption in FRS8 'Related Party Disclosures' from disclosing transactions with other members of the group.

Director loan notes amounted to £1,309,173 (2011: £1,672,135). Director loan notes include amounts held or beneficially held by R Fielding £624,109 (2011: £784,612), G Lennox £624,109 (2011: £784,612) and Hugh & C Aldous £60,955 (2011: £102,911). These were the maximum amounts held during the year.

£87,980 (2011: £81,633) was paid for consultancy services to Pre Eminent Solutions LLP, a partnership controlled by R Fielding and G Lennox.

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

18 Share capital

Allotted, called up and fully paid

	2012		2011	
	No	£	No	£
584,615 Ordinary shares of £0.01 each	584,615	5,846	584,615	5,846
2 Special shares of £0.01 each	2	-	2	-
	<u>584,617</u>	<u>5,846</u>	<u>584,617</u>	<u>5,846</u>

The Special shares do not confer on their holders any right to receive dividends or other distributions, nor the right to vote at a General Meeting unless Loan Notes or the interest due on them has not been paid within three months of the due date. The holders of the Special shares shall together be entitled to appoint one person to be a Director of the Company and to replace such a person by a new nominee.

19. Reserves

Group

	Share premium account £	Profit and loss account £
Balance brought forward	578,771	(1,638,034)
Profit for the year	-	1,020,177
Exchange gain/(loss)	-	995
Balance carried forward	<u>578,771</u>	<u>(616,862)</u>

Company

	Share premium account £	Profit and loss account £
Balance brought forward	578,771	(1,927,248)
Profit for the year	-	902,769
Balance carried forward	<u>578,771</u>	<u>(1,024,479)</u>

20. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	1,020,177	453,874
Exchange gain/(loss)	995	1,459
Net addition to shareholders' deficit	<u>1,021,172</u>	<u>455,333</u>
Opening shareholders' deficit	(1,053,417)	(1,508,750)
Closing shareholders' deficit	<u>(32,245)</u>	<u>(1,053,417)</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

21. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2012 £	2011 £
Operating profit	1,036,640	480,057
Amortisation	32,316	16,158
Depreciation	25,754	861
Loss on disposal of fixed assets	–	761
Increase in debtors	(289,506)	(69,621)
Increase in creditors	102,673	147,160
Net cash inflow from operating activities	<u>907,877</u>	<u>575,376</u>

Reconciliation of net cash flow to movement in net debt

	2012 £	£	2011 £	£
(Decrease)/increase in cash in the period	(194,904)		124,313	
Net cash outflow from debenture loans	<u>1,089,543</u>		<u>271,795</u>	
Change in net debt		<u>894,639</u>		<u>396,108</u>
Net debt at 1 January 2012		(1,518,200)		(1,912,172)
Net debt at 31 December 2012		<u>(623,561)</u>		<u>(1,518,200)</u>

Analysis of changes in net debt

	At 1 January 2012 £	Cash flows £	At 31 December 2012 £
Net cash			
Cash in hand and at bank	<u>1,654,530</u>	(194,904)	<u>1,459,626</u>
Debt			
Debt due within 1 year	(271,795)	(1,571,392)	(1,843,187)
Debt due after 1 year	(2,900,935)	2,660,935	(240,000)
	<u>(3,172,730)</u>	<u>1,089,543</u>	<u>(2,083,187)</u>
Net debt	<u>(1,518,200)</u>	<u>894,639</u>	<u>(623,561)</u>

22. Ultimate controlling party

The company's ultimate controlling party is considered to be R Fielding and G Lennox acting in concert