

SMART EDUCATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Company Registration Number 05497433

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SMART EDUCATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

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SMART EDUCATION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2014

The board of directors	R Fielding G Lennox DJ Taylor
Company secretary	R Fielding
Business address	Icon Business Centre Lake View Drive Sherwood Park Annesley Nottingham Nottinghamshire NG15 0DT
Registered office	Icon Business Centre Lake View Drive Sherwood Park Annesley Nottingham Nottinghamshire NG15 0DT
Auditor	Baker Tilly UK Audit LLP Chartered Accountants 7th Floor City Gate East Toll House Hill Nottingham NG1 5FS

SMART EDUCATION LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2014

Principal activities

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

Business review

The directors are pleased with the performance of the business in what has been a challenging economic environment. Effective working capital management and cashflows from profitable trading allowed the group to continue its policy of debt repayment with any surplus balances. The directors have continued this policy and all outstanding debt was repaid early in 2015.

The directors expect the business to grow in 2015 as it starts to realise the benefits of increased investment in the number of recruitment consultants. The directors also believe the company is well placed, especially in the UK, to maintain and grow business through its strong relationships with schools and its ability to source qualified teachers from both the UK and overseas.

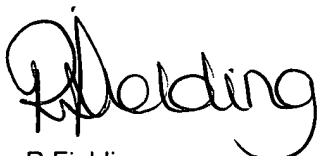
Financial risk management objectives and policies

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 loans where necessary to fund expansion or capital expenditure programmes.

The company manages its exposure to exchange rate risk by utilising forward purchase contracts.

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 borrowings or overdrafts with the future cash flows expected to arise from the company's trading activities.

Signed on behalf of the directors



R Fielding
Director

Approved by the directors on 21 July 2015

SMART EDUCATION LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2014

The directors present their report and the consolidated financial statements of the group for the year ended 31 December 2014.

Results and dividends

The profit for the year, after taxation, amounted to £1,034,195 (2013: £592,336). The directors have not recommended a dividend.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

R Fielding
HGC Aldous
G Lennox
DJ Taylor

HGC Aldous resigned as a director on 1 April 2014.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 these 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 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
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

SMART EDUCATION LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2014

Strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Auditor

In accordance with the Companies Act 2006 a resolution proposing the reappointment of Baker Tilly UK Audit LLP as Auditor will be put to the members.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'R Fielding', written in a cursive style.

R Fielding
Director

Approved by the directors on 21 July 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART EDUCATION LIMITED

We have audited the group and parent company financial statements ("the financial statements") on pages 7 to 23. 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 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 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 financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2014 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SMART EDUCATION LIMITED (CONTINUED)**

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 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.

Baker Tilly UK Audit LLP

Neil Stephenson, Senior Statutory Auditor
For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
7th Floor
City Gate East
Toll House Hill
Nottingham
NG1 5FS

Date:- 22 July 2015

SMART EDUCATION LIMITED
GROUP CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Group turnover	2	14,133,628	13,214,801
Staff costs	3	(2,999,619)	(2,836,217)
Depreciation and amortisation	4	(53,681)	(44,866)
Other operating charges		(9,711,657)	(9,556,900)
Operating profit	4	<u>1,368,671</u>	<u>776,818</u>
Interest receivable		8,077	14,750
Profit on ordinary activities before taxation		<u>1,376,748</u>	<u>791,568</u>
Tax on profit on ordinary activities	6	(342,553)	(199,232)
Profit for the financial year	7	<u><u>1,034,195</u></u>	<u><u>592,336</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 12 to 23 form part of these consolidated financial statements.

SMART EDUCATION LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND
LOSSES
YEAR ENDED 31 DECEMBER 2014

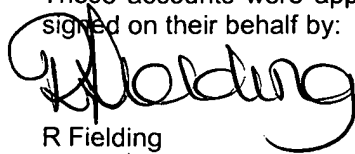
	2014	<i>2013</i>
	£	£
Profit for the financial year		
Attributable to the shareholders of the parent company	1,034,195	592,336
Currency translation differences on foreign currency net investments	<u>2,993</u>	<u>—</u>
Total gains and losses recognised since the last annual report	<u><u>1,037,188</u></u>	<u><u>592,336</u></u>

The notes on pages 12 to 23 form part of these consolidated financial statements.

SMART EDUCATION LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2014

	Note	2014 £	2013 £
Fixed assets			
Intangible assets	8	48,474	80,790
Tangible assets	9	36,319	52,052
		<u>84,793</u>	<u>132,842</u>
Current assets			
Debtors	11	1,579,514	1,382,183
Cash at bank		1,143,413	1,585,055
		<u>2,722,927</u>	<u>2,967,238</u>
Creditors: amounts falling due within one year	13	<u>(1,312,183)</u>	<u>(2,401,731)</u>
Net current assets		1,410,744	565,507
Total assets less current liabilities		<u>1,495,537</u>	<u>698,349</u>
Creditors: amounts falling due after more than one year	14	<u>—</u>	<u>(240,000)</u>
		<u>1,495,537</u>	<u>458,349</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	910,920	(126,268)
Shareholders' funds	20	<u>1,495,537</u>	<u>458,349</u>

These accounts were approved by the directors and authorised for issue on 21 July 2015, and are signed on their behalf by:


R Fielding
Director

The notes on pages 12 to 23 form part of these consolidated financial statements.

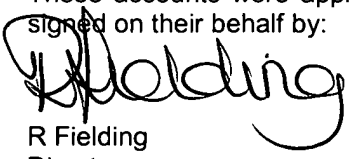
SMART EDUCATION LIMITED

Registered Number 05497433

COMPANY BALANCE SHEET**31 DECEMBER 2014**

	Note	2014 £	2013 £
Fixed assets			
Intangible assets	8	48,474	80,790
Tangible assets	9	9,862	23,012
Investments	10	—	—
		<u>58,336</u>	<u>103,802</u>
Current assets			
Debtors	11	1,527,339	1,445,800
Cash at bank		799,811	1,264,767
		<u>2,327,150</u>	<u>2,710,567</u>
Creditors: amounts falling due within one year	13	<u>(1,074,244)</u>	<u>(2,250,969)</u>
Net current assets		1,252,906	459,598
Total assets less current liabilities		<u>1,311,242</u>	<u>563,400</u>
Creditors: amounts falling due after more than one year	14	<u>—</u>	<u>(240,000)</u>
		<u>1,311,242</u>	<u>323,400</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	726,625	(261,217)
Shareholders' funds		<u>1,311,242</u>	<u>323,400</u>

These accounts were approved by the directors and authorised for issue on 21 July 2015, and are signed on their behalf by:



R Fielding
Director

The notes on pages 12 to 23 form part of these consolidated financial statements.

SMART EDUCATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	£	2013 £	£
Net cash inflow from operating activities	21		1,151,479		929,114
Returns on investments and Servicing of finance					
Interest received		<u>8,077</u>		<u>14,750</u>	
Net cash inflow from returns on investments and servicing of finance			8,077		14,750
Taxation			(394,815)		(69,129)
Capital expenditure					
Payments to acquire tangible fixed assets		(6,383)		(31,414)	
Receipts from sale of fixed assets		<u>—</u>		<u>4,596</u>	
Net cash outflow from capital expenditure			(6,383)		(26,818)
Cash inflow before financing			<u>758,358</u>		<u>847,917</u>
Financing					
Repayment of other loans		<u>(1,200,000)</u>		<u>(643,187)</u>	
Net cash outflow from financing			(1,200,000)		(643,187)
(Decrease)/increase in cash	21		<u>(441,642)</u>		<u>204,730</u>

The notes on pages 12 to 23 form part of these consolidated financial statements.

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

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.

Going concern

The consolidated financial statements have been prepared on a going concern basis. Having carried out a detailed review of the group's and company's resources and the challenges presented by the current economic climate, the directors are satisfied that the group and company have sufficient cash flows to meet their respective liabilities as they fall due for at least one year from the date of approval of the accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over the useful economic life. 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 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 for services provided during the year, exclusive of Value Added Tax and other sales related taxes.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life of 5 years. 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

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

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

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. Accounting policies (continued)

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 parent company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The subsidiary company contributes to 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 on a monthly basis. The net assets are translated at year end rates for monetary assets and for non-monetary assets the historic rate, and the difference on exchange is recorded as a reserve movement.

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.

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. Accounting policies (continued)

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:

	2014	2013
	£	£
United Kingdom	12,484,785	11,476,560
Rest of the World	1,648,843	1,738,241
	<u>14,133,628</u>	<u>13,214,801</u>

3. Particulars of employees

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

	2014	2013
	No	No
Number of administrative staff	<u>62</u>	<u>63</u>

The aggregate payroll costs of the above were:

	2014	2013
	£	£
Wages and salaries	2,645,375	2,473,032
Social security costs	216,608	179,799
Other pension costs	137,636	183,386
	<u>2,999,619</u>	<u>2,836,217</u>

4. Operating profit

Operating profit is stated after charging/(crediting):

	2014	2013
	£	£
Amortisation of intangible assets	32,316	32,316
Depreciation of owned fixed assets	21,365	12,550
Auditor's remuneration – audit services	13,000	10,500
Auditor's remuneration – non audit services	4,060	4,000
Operating lease costs:		
-Other	90,755	138,246
Net (profit)/loss on foreign currency translation	<u>(2,825)</u>	<u>11,696</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2014	2013
	£	£
Remuneration receivable	<u>12,000</u>	<u>38,000</u>

In addition see note 17 for amounts paid to third parties in respect of services provided by the directors.

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2014	2013
	£	£
UK taxation		
In respect of the year:		
UK Corporation tax	273,286	130,925
Under provision in prior year	<u>19,970</u>	<u>-</u>
	293,256	130,925
Foreign tax		
Current tax on income for the year	70,264	67,933
Adjustments in respect of prior periods	<u>-</u>	<u>374</u>
	<u>70,264</u>	<u>68,307</u>
	363,520	199,232
Deferred tax:		
Origination and reversal of timing differences	<u>(20,967)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>342,553</u>	<u>199,232</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

6. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21.50% (2013 - 23%).

	2014	2013
	£	£
Profit on ordinary activities before taxation	<u>1,376,748</u>	<u>791,568</u>
Profit on ordinary activities by rate of tax	296,001	182,061
Effects of:		
Expenses not deductible for tax purposes	4,976	3,364
Depreciation for period in excess of capital allowances	8,956	1,851
Utilisation of tax losses	-	(2,851)
Higher tax rates on subsidiary earnings	45,202	8,070
Adjustments to tax charge in respect of previous periods	19,970	-
Marginal relief / change in UK tax rate	-	1,388
Other adjustments	<u>(11,585)</u>	<u>5,349</u>
Total current tax (note 6(a))	<u>363,520</u>	<u>199,232</u>

(c) Factors that may affect future tax charges

Legislation to reduce the main rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015 was included in the Finance Act 2013. The 20% rate became substantively enacted on the 17 July 2013, and therefore the effect of the rate reduction on recognised and unrecognised deferred tax balances as at 31 December 2014 has been included in these financial statements.

7. Profit attributable to members of the parent company

The profit dealt with in the consolidated financial statements of the parent company was £987,842 (2013 - £763,262).

8. Intangible fixed assets

Group and company	Goodwill
	£
Cost	
At 1 January 2014 and 31 December 2014	<u>161,580</u>
Amortisation	
At 1 January 2014	80,790
Charge for the year	<u>32,316</u>
At 31 December 2014	<u>113,106</u>
Net book value	
At 31 December 2014	<u>48,474</u>
At 31 December 2013	<u>80,790</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

9. Tangible fixed assets

Group	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 January 2014	111,480	65,063	176,543
Additions	–	6,383	6,383
Difference arising in foreign currency translation	(1,130)	(795)	(1,925)
At 31 December 2014	<u>110,350</u>	<u>70,651</u>	<u>181,001</u>
Depreciation			
At 1 January 2014	61,727	62,764	124,491
Charge for the year	18,667	2,698	21,365
Difference arising in foreign currency translation	(907)	(267)	(1,174)
At 31 December 2014	<u>79,487</u>	<u>65,195</u>	<u>144,682</u>
Net book value			
At 31 December 2014	<u>30,863</u>	<u>5,456</u>	<u>36,319</u>
At 31 December 2013	<u>49,753</u>	<u>2,299</u>	<u>52,052</u>
Company	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 January 2014	40,318	61,228	101,546
At 31 December 2014	<u>40,318</u>	<u>61,228</u>	<u>101,546</u>
Depreciation			
At 1 January 2014	17,363	61,171	78,534
Charge for the year	13,093	57	13,150
At 31 December 2014	<u>30,456</u>	<u>61,228</u>	<u>91,684</u>
Net book value			
At 31 December 2014	<u>9,862</u>	<u>–</u>	<u>9,862</u>
At 31 December 2013	<u>22,955</u>	<u>57</u>	<u>23,012</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

10. Investments

Company	Group companies £
Net book value	
At 31 December 2014 and 31 December 2013	-

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%

11. Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	1,373,718	1,050,234	1,355,820	1,015,508
Amounts owed by group undertakings	-	-	3	170,171
Amounts owed by related undertakings	-	148,591	-	148,591
Other debtors	111,855	110,862	91,072	61,434
Deferred taxation (Note 12)	20,967	-	20,967	-
Prepayments and accrued income	72,974	72,496	59,477	50,096
	<u>1,579,514</u>	<u>1,382,183</u>	<u>1,527,339</u>	<u>1,445,800</u>

12. Deferred taxation

The movement in the deferred taxation asset during the year was:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Provision for year	20,967	-	20,967	-
Asset carried forward	<u>20,967</u>	<u>-</u>	<u>20,967</u>	<u>-</u>

SMART EDUCATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

12. Deferred taxation (continued)

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2014		2013	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of depreciation over taxation allowances	<u>20,967</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2014		2013	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of depreciation over taxation allowances	<u>20,967</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other loans	240,000	1,200,000	240,000	1,200,000
Trade creditors	49,873	43,015	38,131	33,358
Amounts owed to group undertakings	-	-	3	3
Corporation tax	139,517	170,812	108,548	131,974
Other taxation and social security	344,110	330,536	297,419	283,638
Other creditors	253,658	458,957	251,433	457,102
Accruals and deferred income	285,025	198,411	138,710	144,894
	<u>1,312,183</u>	<u>2,401,731</u>	<u>1,074,244</u>	<u>2,250,969</u>

Included in other loans is a 0% unsecured loan note of £Nil (2013: £900,000) and a 0% unsecured loan note of £Nil (2013: £300,000), which are due for repayment on demand. In 2013 the loan note holders had agreed to allow the business to repay them where there was sufficient cash in the business.

Other loans also include a 0% unsecured loan note of £240,000 (2013: £Nil) due for repayment on 1 January 2015. Other loans have been repaid in full after the balance sheet date.

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other loans	<u>-</u>	<u>240,000</u>	<u>-</u>	<u>240,000</u>

Other loans represented a 0% unsecured loan note of £Nil (2013: £240,000) due for repayment on 1 January 2015, which is now included in creditors due in less than one year. Other loans have been repaid in full after the balance sheet date.

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15. Commitments under operating leases

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as set out below.

Group and Company	<i>Land and buildings</i>	
	2014	2013
	£	£
Operating leases which expire:		
Within 1 year	68,066	-
Within 2 to 5 years	<u>-</u>	<u>90,755</u>

16. Derivatives

At the balance sheet date the company and group had foreign exchange commitments, being Australian dollar forward contracts which would mature at various dates after the year end. The company had AUD\$402,768 (2013: AUD\$Nil) of Australian dollar forward contract commitments at the year end. The fair value of these contracts at 31 December 2014 was a loss of £10,608 (2013: £nil).

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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 £169,800 (2013: £1,018,800), of the total £240,000 loan note balance as the remainder is held by Elderstreet VCT plc. Director loan notes include amounts held or beneficially held by R Fielding £84,000 (2013: £492,625), G Lennox £84,000 (2013: £492,625) and H & C Aldous £1,800 (2013: £33,550).

Within the profit and loss account in 2013 was £255,923 in relation to director fees. Included within other creditors is the remainder of this payment to the Directors of £209,539 (2013: £ 209,539).

£226,535 (2013: £459,983) was charged for consultancy services to Pre Eminent Solutions LLP, a partnership controlled by R Fielding and G Lennox. At the year end £33,688 (2013: £233,663) remained unpaid and is included within other creditors.

The following companies are related due to common shareholders and directors: Rust Resources Limited, Oil Consultants Limited, The Dower House Hotel Limited, 617 Limited t/a Inn on the Broadway, and Social Appreciation Limited. The following transactions occurred during the year:

During the year the company paid payroll services of £161,155 (2013: £84,430) on behalf of The Dower House Hotel Limited which have been recharged in full, and made sales of £546 (2013: £2,374). At the year end £Nil (2013: £24,995) was due from The Dower House Hotel Limited.

During the year the company paid payroll services of £371,744 (2013: £477,205) on behalf of 617 Limited which have been recharged in full, and made sales of £374 (2013: £2,666). At the year end £Nil (2013: £121,008) was due from 617 Limited.

During the year the company paid costs of £79,764 (2013: £Nil) on behalf of Social Appreciation Limited which have been recharged in full, and made sales of £20,957 (2013: £Nil). There was no amount outstanding at the year end from Social Appreciation Limited.

Transactions with Rust Resources Limited and Oil Consultants Limited are not material to either party, and have therefore not been disclosed in the financial statements.

18. Share capital

Allotted, called up and fully paid:

	2014		2013	
	No	£	No	£
Ordinary shares of £0.01 each	584,615	5,846	584,615	5,846
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.

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18. Share capital (continued)

On 11 January 2012 Smart Education Limited issued 62,950 approved share options. The exercise price is £1 and the options vest on an exit event. The number of options which vest depend on the exit value achieved. No further share based payment disclosures have been made on the basis of materiality.

19. Reserves

Group	Share premium account £	Profit and loss account £
Balance brought forward	578,771	(126,268)
Profit for the year	–	1,034,195
Currency translation differences on foreign currency investments	–	2,993
Balance carried forward	<u>578,771</u>	<u>910,920</u>
Company	Share premium account £	Profit and loss account £
Balance brought forward	578,771	(261,217)
Profit for the year	–	987,842
Balance carried forward	<u>578,771</u>	<u>726,625</u>

20. Reconciliation of movements in shareholders' funds

Group	2014 £	2013 £
Profit for the financial year	1,034,195	592,336
Currency translation differences on foreign currency investments	2,993	(101,742)
Net addition to shareholders' funds/(deficit)	<u>1,037,188</u>	<u>490,594</u>
Opening shareholders' funds/(deficit)	458,349	(32,245)
Closing shareholders' funds	<u>1,495,537</u>	<u>458,349</u>
Company	2014 £	2013 £
Profit for the financial year	987,842	763,262
Net addition to shareholders' funds	<u>987,842</u>	<u>763,262</u>
Opening shareholders' funds/(deficit)	323,400	(439,862)
Closing shareholders' funds	<u>1,311,242</u>	<u>323,400</u>

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21. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£	£
Operating profit	1,368,671	776,818
Amortisation	32,316	32,316
Depreciation	21,365	12,550
Increase in debtors	(176,364)	(254,543)
(Decrease)/increase in creditors	(98,253)	460,613
Foreign currency retranslation	3,744	(98,640)
Net cash inflow from operating activities	<u>1,151,479</u>	<u>929,114</u>

Reconciliation of net cash flow to movement in net funds

	2014	2013
	£	£
(Decrease)/increase in cash in the period	(441,642)	204,730
Net cash outflow from other loans	<u>1,200,000</u>	<u>643,187</u>
Change in net funds resulting from cash flows	758,358	847,917
Translation differences	–	(79,301)
Movement in net funds in the period	<u>758,358</u>	<u>768,616</u>
Net funds at 1 January 2014	145,055	(623,561)
Net funds at 31 December 2014	<u>903,413</u>	<u>145,055</u>

Analysis of changes in net funds

	At 1 January 2014 £	Cash flows £	Other changes £	At 31 December 2014 £
Net cash:				
Cash in hand and at bank	1,585,055	(441,642)	–	1,143,413
Debt:				
Debt due within 1 year	(1,200,000)	1,200,000	(240,000)	(240,000)
Debt due after 1 year	(240,000)	–	240,000	–
	<u>(1,440,000)</u>	<u>1,200,000</u>	<u>–</u>	<u>(240,000)</u>
Net funds	<u>145,055</u>	<u>758,358</u>	<u>–</u>	<u>903,413</u>

22. Ultimate controlling party

The directors do not consider there to be an ultimate controlling party.