

Vanguard Military School Ltd
Financial Reports
For the Year Ended 31st December 2015

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Vanguard Military School Ltd

Company Directory

As at 31st December 2015

Issued Capital	100 Ordinary Shares		
Registered Office	49 Victoria Rd Devonport North Shore City 0624		
Directors	Wayne Hyde		
Auditors	Moore Stephens Markhams		
Accountants	Commercial Business Services Ltd Devonport Auckland		
Nature of Business	Charter School		
Shareholders	Wayne HYDE	50	Ordinary Shares
	Frances HYDE	50	Ordinary Shares
		<u>100</u>	

*The accompanying notes form part of these financial statements.
These financial statements have been subject to audit or review, and should be read in
conjunction with the attached Audit Report.*

Vanguard Military School Ltd
Directors' Annual Report
For the Year Ended 31st December 2015

The Directors present here their Annual Report including Financial Statements of the Company for the year ended 31st December 2015.

Annual Report Non-Compliance

A unanimous resolution was passed by the company pursuant to subsection 211(3) of the Companies Act, 1993 that the Annual Report need not comply with paragraphs (a) and (e) to (j) of subsection 211(1) of the Act.

For and on behalf of the Board of Directors,

Director W. A. S. S. S.

Dated this 14th day of APRIL 2016

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conjunction with the attached Audit Report.*

Vanguard Military School Ltd
Statement of Profit or Loss
For the Year Ended 31st December 2015

	2015 \$	2014 \$
INCOME		
Ministry Operational Fee	2,327,107	2,107,875
Interest Received	26,492	42,145
Establishment Grant Received	247,155	277,827
Student Travel Income (Net)	101,493	6,696
Sundry Income	16,125	6,387
Total Income	2,718,372	2,440,930
Less Expenses		
Accident Compensation Levy	5,924	1,413
Accountancy Fees	8,805	10,905
Administration Fees	68,870	68,348
Advertising	933	1,566
Advisory Board Fees	33,000	36,000
Audit Fees	6,223	6,000
Bank Charges	284	285
Cleaning & Laundry	27,246	24,650
Computer Expenses	1,423	2,555
Donations	250	10
Establishment Expenses	145,011	202,210
Fees Paid - Moderation	6,510	3,385
Fees Paid - NZQA	6,455	5,653
General Expenses	4,760	1,479
Health & Safety	3,548	2,738
Insurance	4,457	5,878
Interest - Loans	1,447	-
Legal Expenses	6,505	2,939
Licences & Registrations	14	1,427
Light Power & Heating	30,773	24,044
Materials - Classroom	6,891	10,024
Motor Vehicle Expenses	7,107	6,728
Office Expenses	34,894	35,090
Postage	1,080	3,583
Printing, Stamps & Stationery	46,701	42,365
Rents	410,000	349,694
Rent - Opex	86,148	76,671
Rent - Plant & Equipment	13,362	11,135
Repairs & Maintenance	9,708	3,061
Security	1,296	832
Staff Expenses	14,517	13,818
Staff Training	243	5,084
Student Amenities	7,487	9,712
Student Courses & Camps	21,793	3,241

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conjunction with the attached Audit Report.

MOORE STEPHENS
MARKHAMS

Vanguard Military School Ltd
Statement of Profit or Loss
For the Year Ended 31st December 2015

	2015	2014
	\$	\$
Subscriptions	2,471	1,616
Telephone, Tolls & Internet	7,039	5,638
Travel - National	1,143	333
Uniforms	5,154	68,435
Website Expenses	1,180	1,600
Salaries - Management	222,261	205,043
Salaries - Staff	1,260,933	1,000,008
Total Expenses	2,523,846	2,255,196
Net Profit Before Depreciation	194,526	185,734
Less Depreciation Adjustments		
Depreciation as per Schedule	102,144	75,617
NET OPERATING PROFIT BEFORE TAX	92,382	110,117
Income Tax Expense	9,052	-
NET PROFIT/(LOSS)	\$83,330	\$110,117

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MOORE STEPHE
MARKHAMS

Vanguard Military School Ltd
Statement of Changes in Equity
For the Year Ended 31st December 2015

	Note	2015 \$	2014 \$
EQUITY AT START OF YEAR		(59,953)	(170,070)
PROFIT & REVALUATIONS			
Profit after Tax		83,330	110,117
Total Recognised Incomes & Expenses		<u>83,330</u>	<u>110,117</u>
OTHER MOVEMENTS			
EQUITY AT END OF YEAR		<u><u>\$23,377</u></u>	<u><u>(\$59,953)</u></u>
MOVEMENTS IN RETAINED EARNINGS			
Retained Earnings at start of year		(60,053)	(170,170)
Net Profit		83,330	110,117
Retained Earnings at End of Year		<u>23,277</u>	<u>60,053</u>
MOVEMENTS IN ISSUED CAPITAL			
Balance at Start of Year		100	100
Balance at End of Year		<u>100</u>	<u>100</u>
		<u><u>\$23,377</u></u>	<u><u>(\$59,953)</u></u>

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MOORE STEPHEN
MARKHAMS

Vanguard Military School Ltd
Balance Sheet
As at 31st December 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Bank - Cheque Account	5	6,519	37,663
Bank - Savings account		580,980	903,263
GST refund due		40,199	60,038
Taxation	6	69,928	71,793
Accounts Receivable		447	-
Sundry Debtors		1,306	-
Shareholders' overdrawn current accounts	8	27,324	100
Total Current Assets		<u>726,703</u>	<u>1,072,856</u>
NON-CURRENT ASSETS			
Property, plant & equipment	9	441,869	414,652
TOTAL ASSETS		<u>1,168,572</u>	<u>1,487,509</u>
CURRENT LIABILITIES			
Inter-company current accounts		37,500	37,500
Accounts Payable		20,549	131,774
Accrued Expenses		50,468	53,383
Establishment Grant in advance		1,027,649	1,274,804
Deferred Rent		-	50,000
Finance leases - current portion	10	6,670	-
Total Current Liabilities		<u>1,142,836</u>	<u>1,547,461</u>
NON-CURRENT LIABILITIES			
Finance leases as per schedule	10	2,359	-
TOTAL LIABILITIES		<u>1,145,195</u>	<u>1,547,461</u>
NET ASSETS/(LIABILITIES)		<u>\$23,377</u>	<u>(\$59,953)</u>

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conjunction with the attached Audit Report.*

**MOORE STEPHEN
MARKHAMS**

Vanguard Military School Ltd
Balance Sheet
As at 31st December 2015

	Note	2015 \$	2014 \$
Represented by:			
EQUITY			
Share capital		100	100
Retained Earnings		23,277	(60,053)
TOTAL EQUITY		<u>\$23,377</u>	<u>(\$59,953)</u>

The accompanying notes form part of these Financial Statements and should be read in conjunction with the reports contained herein.
For and on behalf of the Board ;

Director *Wendy Lee*
Date 14/04/2016

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Vanguard Military School Ltd

Depreciation Schedule

For the Year Ended 31st December 2015

Asset	Private Use	Cost Price	Book Value 01/01/2015	Additions Disposals	Gain/Loss on Disposal	Capital Profit	--- Depreciation --- Mth Rate	\$	Accum Deprec 31/12/2015	Book Value 31/12/2015
BUILDINGS										
Leasehold Fitout (2013)		26,707	23,836				12 10.0% DV	2,384	5,255	21,452
Leasehold Fitout (2014)		86,549	80,779				12 10.0% DV	8,078	13,848	72,701
Leasehold Fitout (2015)				23,558			5 10.0% DV	982	982	22,576
Portacom Shower Unit		119,684	118,338	7,970			13.5% DV	16,514	17,860	109,794
Sub-Total		232,940	222,953	31,528				27,958	37,945	226,523
MOTOR VEHICLES										
1991 Scania Coach DGK857		45,000	30,712				12 30.0% DV	9,214	23,502	21,498
Captiva 7SX 2.4L		27,425	18,717				12 30.0% DV	5,615	14,323	13,102
Isuzu Bus CYB14				17,391			2 16.0% DV	464	464	16,927
Sub-Total		72,425	49,429	17,391				15,293	38,289	51,527
FURNITURE & FITTINGS										
Fridge Freezer - Samsung		782	574				12 25.0% DV	144	352	430
Benchwork Desk		950	818				12 13.0% DV	106	238	712
BX Framework Desks		1,820	1,566				12 13.0% DV	204	458	1,362
Benchwork Meeting Table		3,539	3,046				12 13.0% DV	396	889	2,650
Chairs - Postura Plus 300x		15,900	13,178				12 16.0% DV	2,108	4,830	11,070
Desks - Charcoal		15,040	12,943				12 13.0% DV	1,683	3,780	11,260
Sidechairs 10x		1,200	995				12 16.0% DV	159	364	836
Cubit 2 Drawer Cabinets 10x		2,670	2,136				12 20.0% DV	427	961	1,709
Eko Desks 10x		1,253	1,090				12 13.0% DV	142	305	948
Chairs 12x		2,812	2,362				12 16.0% DV	378	828	1,984
Tables Office 6x		1,254	1,132				12 13.0% DV	147	269	985
Bookcases 7x		2,436	2,071				12 20.0% DV	414	779	1,657
Lockers (4) 3x		4,605	4,375				12 20.0% DV	875	1,105	3,500
2 Drawer Cabinets 4x		1,068	1,032				12 20.0% DV	206	242	826
Chairs 8x		1,296	1,261				12 16.0% DV	202	237	1,059

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MOORE STEPHENS
MARKHAMS

Vanguard Military School Ltd

Depreciation Schedule

For the Year Ended 31st December 2015

Asset	Private Use	Cost Price	Book Value 01/01/2015	Additions Disposals	Gain/Loss on Disposal	Capital Profit	--- Depreciation --- Mth Rate	Accum Deprec 31/12/2015	Book Value 31/12/2015
Bookcases 4x		2,259	2,184				12 20.0% DV	512	1,747
Eko Desks 4x		1,002	991				12 13.0% DV	140	862
Bookcases 3x		815	801				12 20.0% DV	174	641
Cabinet (4) 9x		10,701	8,561				12 20.0% DV	3,852	6,849
Cubit Credenza		586	469				12 20.0% DV	211	375
Desk Dophin		899	782				12 13.0% DV	219	680
Fridge		564	435				12 25.0% DV	109	326
2 Seater Metropol		1,076	947				12 16.0% DV	152	795
Washing Machine		924	789				12 25.0% DV	332	592
Credenza Dophin		995	796				12 20.0% DV	358	637
Carpet		2,338	2,182				12 40.0% DV	1,029	1,309
Credenza, Cupboards &		4,441	3,701				12 20.0% DV	1,480	2,961
Bookcases									
Furniture Various		1,296	1,166				12 20.0% DV	363	933
Cupboard		879	850				12 20.0% DV	199	680
Furniture		833	819				12 20.0% DV	178	655
Chairs 116x Tables 70x				12,361			12 16.0% DV	1,978	10,383
Desk & Coffee Tables				1,469			11 16.0% DV	215	1,254
Chairs 12x Bookcases 4x				2,681			11 16.0% DV	393	2,288
Signage				525			10 10.0% DV	44	481
Chairs 20x				1,198			9 16.0% DV	144	1,054
Camera				590			3 48.0% DV	71	519
Lockers 3x				6,075			1 16.0% DV	81	5,994
Sub-Total		86,233	74,052	24,899			15,948	28,129	83,003

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Vanguard Military School Ltd

Depreciation Schedule

For the Year Ended 31st December 2015

Asset	Private Use	Cost Price	Book Value 01/01/2015	Additions Disposals	Gain/Loss on Disposal	Capital Profit	— Depreciation — Mth Rate \$	Accum Deprec 31/12/2015	Book Value 31/12/2015
COMPUTER EQUIPMENT									
HP Computer		1,500	718				12 50.0% DV	1,141	359
HP Computer		1,029	493				12 50.0% DV	783	246
Software		5,500	2,979				12 50.0% DV	4,011	1,489
HP Laptops		8,899	4,449				12 50.0% DV	6,675	2,224
Software Licenses 13x		12,626	6,313				12 50.0% DV	9,470	3,156
HP Pavilion Mini Tower		511	276				12 50.0% DV	373	138
Acer Micro Computers		18,768	13,763				12 40.0% DV	10,510	8,258
8 Channel DVR		662	469				12 50.0% DV	428	234
HP Notebooks 4x		3,632	3,027				12 50.0% DV	2,119	1,513
Micro Computer & Laptop				19,532			11 50.0% DV	8,952	10,580
Laptop Charging Cart				2,173			9 50.0% DV	815	1,358
HP Notebook				908			6 50.0% DV	227	681
Sub-Total		53,127	32,487	22,613				45,504	30,236
								24,864	

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Vanguard Military School Ltd

Depreciation Schedule

For the Year Ended 31st December 2015

Asset	Private Use	Cost Price	Book Value 01/01/2015	Additions Disposals	Gain/Loss on Disposal	Capital Profit	--- Depreciation --- Mth Rate	\$	Accum Deprec 31/12/2015	Book Value 31/12/2015
SCHOOL EQUIPMENT										
Whiteboards 11x		6,708	4,025				12 40.0% DV	1,610	4,293	2,415
Signage - Rooms		4,725	4,252				12 10.0% DV	425	898	3,827
Gym Equipment		7,425	4,702				12 40.0% DV	1,881	4,604	2,821
Lecturn		1,095	894				12 20.0% DV	179	380	715
Signage		1,070	963				12 10.0% DV	96	203	867
Gym Equip - Mats		2,710	1,716				12 40.0% DV	686	1,680	1,030
Gym Equip - Bench		5,578	3,533				12 40.0% DV	1,413	3,458	2,120
Gym Equip - Boxhorse		2,070	1,311				12 40.0% DV	524	1,283	787
Gym Equip - Beatboard		1,854	1,174				12 40.0% DV	470	1,150	704
Gym Equip - Mats				5,538			10 40.0% DV	1,846	1,846	3,692
Gym Equip - Post Pads 6x				2,820			3 40.0% DV	282	282	2,538
Gym Equip - Swedish Bench 4x				3,113			9 40.0% DV	934	934	2,179
Lathes 2x, Spotwelder & Drill		9,540	8,014				12 16.0% DV	1,282	2,808	6,732
Signage		800	753				12 10.0% DV	75	122	678
Whiteboard		2,213	2,065				12 40.0% DV	826	974	1,239
Digital Pulse Machine		1,450	1,420				12 25.0% DV	355	385	1,065
Mig Welding Machine		921	909				12 16.0% DV	145	157	764
Microscope Monocular 8x				4,799			12 20.0% DV	960	960	3,839
Projector - Canon Lumen				1,760			10 25.0% DV	367	367	1,393
Projectors & Smartboards				14,900			12 25.0% DV	3,725	3,725	11,175
Sub-Total		48,159	35,731	32,930				18,081	30,509	50,580
TOTAL										
		492,884	414,652	129,361				102,144	180,376	441,869

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Vanguard Military School Ltd

Notes to the Financial Statements

For the Year Ended 31st December 2015

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of Vanguard Military School Ltd ('the company'). Vanguard Military School Ltd is a company incorporated in New Zealand registered under the Companies Act 1993. Vanguard Military School Ltd is engaged in the business of Charter School.

The Company is exempt for the purposes of the Financial Reporting Act 2013. The Company is a profit-orientated entity.

Measurement Base

The financial statements of Vanguard Military School Ltd have been prepared in accordance with Special Purpose Framework for use by For-Profit Entities (SPFR for FPEs) published by the New Zealand Institute of Chartered Accountants.

These financial statements are presented in New Zealand Dollars (NZD). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Changes in Accounting Policies

Vanguard Military School Ltd transitioned on 1 January 2015 from preparation of general-purpose financial information in accordance with New Zealand generally accepted accounting practice ("NZ GAAP") to special purpose financial reporting in accordance with SPFR for FPEs. The transition had minimal impact on the accounting policies of the company.

Comparative Information

The comparative figures are stated for the 12 month period to 31 December 2014.

Specific Accounting Policies

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

a) Property, Plant & Equipment

Owned Assets

Except for land and buildings, items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives they are accounting for as separate items of property, plant and equipment.

Leased Assets

Leases where the company assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of the fair value and the present value of the minimum leases payments at inception of the lease, less accumulated depreciation and impairment losses.

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Vanguard Military School Ltd

Notes to the Financial Statements

For the Year Ended 31st December 2015

Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the Profit and Loss as an expense incurred.

The entity has the following classes of Property, Plant & Equipment;

Buildings	10%	DV
Motor Vehicles	30%	DV
Furniture & Fittings	13-25%	DV
Computer Equipment	50%	DV
School Equipment	10-40%	DV

All property, plant & equipment except for land is stated at cost less depreciation.

Depreciation has been calculated in accordance with rates permitted under the Income Tax Act 2007.

(b) **Goods & Services Tax**

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

(c) **Taxation**

Income tax is accounted for using the taxes payable method. The income tax expense charged to the Statement of Profit or Loss is the estimated tax payable in the current year, adjusted for any differences between the estimated and actual tax payable in prior years.

(d) **Financial Instruments**

Financial instruments are recognised in the statement of financial position when the company becomes party to a financial contract. They include the following individual classes of assets and liabilities.

Loans & Receivables

Bank deposits, bank overdrafts, trade and other receivables, and intercompany balances, investments in unlisted debt securities are classified as loans and receivables. All of the above financial instruments are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method. Due allowance is made for impaired receivables (doubtful debts).

Other financial liabilities

These include trade and other payables, bank loans, finance leases and intercompany payables. These are all carried at amortised cost using the effective interest rate method.

(e) **Receivables**

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

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Vanguard Military School Ltd

Notes to the Financial Statements

For the Year Ended 31st December 2015

(f) **Going Concern**

These financial statements have been prepared on the basis that the company is a going concern and has the continuing support of its shareholders. This support has been confirmed by the shareholders. The financial report does not include any adjustments that would result from cessation of this continued support.

(g) **Provisions**

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

(h) **Revenue**

Ministry Operational Fee

Revenue from the Ministry Operational Fee is recognised in the year to which it relates.

Financial income

Interest income is recognised in the Profit and Loss statement as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

(i) **Expenditure**

Operating Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are recognised in the statement of comprehensive income over the term as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest rate basis

Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

2. **AUDIT**

These financial statements have been subject to audit, please refer to Auditor's Report.

3. **CONTINGENT LIABILITIES**

At balance date there are no known contingent liabilities (2014:\$0).

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conjunction with the attached Audit Report.*

Vanguard Military School Ltd

Notes to the Financial Statements

For the Year Ended 31st December 2015

4. CONTRIBUTED EQUITY

	2015 \$	2014 \$
100 Ordinary Shares (Prior year:100)	100	100

All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value. None of the shares are held by the Company.

5. CAPITAL COMMITMENTS

At year end, the Company had no capital commitments (2014: \$Nil).

6. ESTABLISHMENT GRANT YET TO APPORTION

The company received an Establishment Payment from the Ministry of Education on 13 September 2013 of \$1,611,534. This payment is Non Taxable under Section CX47 of the Income Tax Act 2007. In accordance with the provisions of Section CX47 all Establishment expenditure will not be deductible for income tax purposes. The unexpired portion of this grant is the balance in the accounts less the net book value of assets purchased.

7. TAXATION

	2015 \$	2014 \$
Operating profit before taxation	92,382	110,117
Less Loss brought forward	(60,053)	(170,170)
Net Taxable profit	32,329	(60,053)
Prima facie income tax thereon at 28%	9,052	-
Income Tax Expense on Net Profit	9,052	-
 The Taxation Charge is Represented by		
Current year tax	9,052	-
	9,052	-
 Tax Payable		
Less		
RWT credits	7,187	-
Provisional tax paid	71,793	46,364
Total Tax to Pay	69,928	(46,364)

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Vanguard Military School Ltd

Notes to the Financial Statements

For the Year Ended 31st December 2015

8. IMPUTATION CREDIT ACCOUNT

At balance date imputation credits available to the shareholders were

	2015	2014
	\$	\$
Opening Balance	41,793	3,162
Payments to / (Refunds from) IRD	30,000	38,631
RWT credits attached to Interest income received	7,187	-
Closing Balance	78,980	41,793

9. SHAREHOLDERS' CURRENT ACCOUNTS

	2015	2014
	\$	\$
Balances at year end were:		
Wayne Hyde	(13,662)	(50)
Frances Hyde	(13,662)	(50)
Total amounts owing to Shareholders	(27,324)	(100)

These amounts are repayable on demand with interest payable set at a maximum rate equal to that of the Bank overdraft rate current at balance date.

10. OPERATING LEASE COMMITMENTS

	2015	2014
	\$	\$
Amounts were payable under non-cancellable operating leases as follows:		
In less than 1 year	13,668	473,668
Between 1-5 years	-	13,668
After Five years	-	-
Total operating lease commitments	13,668	487,336

11. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and to the date of this report, the directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years

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**MOORE STEPHENS
MARKHAMS**

Vanguard Military School Ltd

Notes to the Financial Statements

For the Year Ended 31st December 2015

12. RELATED PARTIES

Advance Training Group Ltd is a related party in that it shares the same directors & shareholders.

During the year, the Company entered into the following transactions with related parties:

	2015 \$	2014 \$
<i>Advance Training Group Ltd</i>		
Administration Costs	68,870	68,347
Salaries Costs	222,260	205,043
Printing Costs	34,435	34,174
Office Supplies	34,435	34,435

At balance date, the Company owed the following amounts to related parties:

	2015 \$	2014 \$
Advance Training Group Ltd	37,500	37,500

13. FINANCE LEASES

Finance leases are secured over the assets to which they pertain.

	2015 \$	2014 \$
Leases outstanding at balance date:		
Loan - Canon Finance	9,029	-
Total	<u>\$9,029</u>	<u>-</u>
Repayable as follows:		
Less than one year	<u>6,670</u>	<u>-</u>
	6,670	-
Greater than one year	<u>2,359</u>	<u>-</u>
	2,359	-
Total	<u>\$9,029</u>	<u>-</u>

The accompanying notes form part of these financial statements.
These financial statements have been subject to audit or review, and should be read in conjunction with the attached Audit Report.

Moore Stephens Markhams Auckland Audit
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VANGUARD MILITARY SCHOOL LIMITED

Report on the Financial Statements

We have audited the financial statements of Vanguard Military School Limited on pages 3 to 17 which comprises the balance sheet as at 31 December 2015, the statement of profit or loss and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared for the purposes of reporting to the Ministry of Education, in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities, as issued by Chartered Accountants Australia and New Zealand.

This report is made solely to the company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our work, for this report, or for the opinions we have formed.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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). Those 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 financial statements that give a true and fair view of 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, Vanguard Military School Limited.

Opinion

In our opinion, the financial statements on pages 3 to 17 present fairly, in all material respects, the financial position of Vanguard Military School Limited as at 31 December 2015 and its financial performance for the year ended on that date and comply with the Special Purpose Financial Reporting Framework for use by For-Profit Entities.

Basis of Accounting and Restriction on Distribution and Use.

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of preparation. The financial statements are prepared for the purposes of reporting to the Ministry of Education, in accordance with the requirements of the Special Purpose Financial Reporting Framework for use by For-Profit Entities. As a result, the financial statements may not be suitable for another purpose.

A handwritten signature in blue ink, appearing to read 'Moore Stephens Markhams', is written in a cursive style.

Moore Stephens Markhams Auckland Audit

14 April 2016

Chartered Accountants

Auckland, New Zealand