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Grant Thornton

# Financial Statements L.J. Create Limited

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For the Year Ended 31 December 2015

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Registered number: 00941599

**L.J. Create Limited**  
**Registered number:00941599**

## Company Information

<b>Directors</b>	C J Rowe C J Turner P P Goldsworthy
<b>Registered number</b>	00941599
<b>Registered office</b>	5-7 Francis Way Bowthorpe Norwich NR5 9JA
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors Kingfisher House 1 Gilders Way St James Place Norwich Norfolk NR3 1UB

**L.J. Create Limited**  
**Registered number:00941599**

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# Directors' Report

**For the Year Ended 31 December 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

## **Results and dividends**

The profit for the year, after taxation, amounted to £802,760 (2014 - loss £2,137,632).

The directors have not recommended the payment of a dividend.

## **Directors**

The directors who served during the year were:

M A Leese (resigned 24 July 2015)

C J Rowe

C J Turner

P P Goldsworthy (appointed 24 July 2015)

## Directors' Report

For the Year Ended 31 December 2015

### Business review and future developments

Turnover has increased significantly from the prior year. Trading conditions in the traditionally core markets of the UK and the US improved during this period but the increase is primarily driven by growth in overseas sales.

The increase in turnover has resulted in a reduction in operating loss for the year under review. This is in line with the forecast of directors and an indication that their review of the business in 2015, following the purchase of the company from Infinitas group, and the subsequent changes made have been, and continue to be, successful. These changes include:

- A reduction in operating costs without impacting the ability to manufacture and deliver to forecast levels; this process is expected to continue in late 2016 with a consolidation of the company's operating premises.
- An expansion in the number of target international markets with particular emphasis on Africa and the Far East.
- A focus on sales and marketing efforts on the US market including the utilization of development resources to help business development.
- Increasing the number of US distributors to ensure blanket coverage of the country.
- Emphasis on sales of on-line software licenses to deliver repeatable annual revenue.
- The development of strategic partnerships with UK organisations: for example the National STEM Centre, in support of a national robotics competition, together with an emphasis on the development of products for UK specific qualifications like BTEC Engineering and Computer Programming.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Post balance sheet events

There have been no significant events affecting the Company since the year end.

### Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**L.J. Create Limited**

## **Directors' Report**

**For the Year Ended 31 December 2015**

### **Special provisions relating to small companies**

This report has been prepared in accordance with the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'C J Rowe', with a large loop at the start and a horizontal line extending to the right.

**C J Rowe**  
Director

Date: 17.6.16



## Independent Auditor's Report to the Member of L.J. Create Limited

We have audited the financial statements of L.J. Create Limited for the year ended 31 December 2015, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes. 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), including Financial Reporting Standard 102, 'the 'Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

This report is made solely to the Company's member 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 member 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 member 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, 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](http://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 Company's affairs as at 31 December 2015 and of its 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the 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 Member of L.J. Create Limited

### **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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.

A handwritten signature in black ink, appearing to read "Tobias Wilson".

Tobias Wilson (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

Norwich

Date: 24 June 2016



## Statement of Income and Retained Earnings

For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	3,955,726	2,439,855
Cost of sales		(1,598,017)	(934,713)
<b>Gross profit</b>		<b>2,357,709</b>	<b>1,505,142</b>
Distribution costs		(132,280)	(78,068)
Administrative expenses		(2,461,333)	(3,507,771)
Other operating income	4	104,120	-
<b>Operating loss</b>	5	<b>(131,784)</b>	<b>(2,080,697)</b>
Interest receivable and similar income	9	18,750	19,001
Interest payable and similar charges	10	(33,664)	(75,936)
Gains from changes in fair value of financial liability	18	972,762	-
<b>Profit/(loss) before tax</b>		<b>826,064</b>	<b>(2,137,632)</b>
Tax on profit/(loss)	11	(23,304)	-
<b>Profit/(loss) after tax</b>		<b>802,760</b>	<b>(2,137,632)</b>
Retained earnings at the beginning of the year		(1,001,480)	1,136,152
Profit/(loss) for the year		802,760	(2,137,632)
<b>Retained earnings at the end of the year</b>		<b>(198,720)</b>	<b>(1,001,480)</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the statement of income and retained earnings.

The notes on pages 8 to 22 form part of these financial statements.

## Balance Sheet

As at 31 December 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	12	66,483	116,354
		<u>66,483</u>	<u>116,354</u>
<b>Current assets</b>			
Stocks	13	700,640	1,012,696
Debtors	14	694,228	1,818,134
Cash at bank and in hand		347,364	216,441
		<u>1,742,232</u>	<u>3,047,271</u>
Creditors: Amounts falling due within one year	16	(771,182)	(3,956,090)
<b>Net current assets / (liabilities)</b>		<u>971,050</u>	<u>(908,819)</u>
<b>Total assets less current liabilities</b>		<u>1,037,533</u>	<u>(792,465)</u>
Creditors: Amounts falling due after more than one year	17	(1,027,238)	-
<b>Net assets/ (liabilities)</b>		<u><u>10,295</u></u>	<u><u>(792,465)</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	12,476	12,476
Share premium account	22	64,920	64,920
Capital redemption reserve	22	131,619	131,619
Profit and loss account	22	(198,720)	(1,001,480)
		<u>10,295</u>	<u>(792,465)</u>

The Company's financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

C J Rowe  
Director



Date: 17. 6. 16

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 1. Accounting policies

### 1.1 Company information

L J Create Limited is a limited liability company incorporated in England. The Registered Office is 5-7 Francis Way, Bowthorpe, Norwich, NR5 9JA.

The principal activity of the company continues to be the manufacture, sale and distribution of electronic teaching equipment.

### 1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 Section 1A, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 25.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

### 1.3 Going concern

The Company continues to carefully review its basis of operations. This has been undertaken in the context that the company is no longer part of the Infinitas Group. Historically, the Infinitas Group facilitated working capital facilities and provided assurance regarding on-going support to the Company.

The review has also been undertaken by the directors in the context of the results and a recognition that the economic environment, although improved, remains to some degree challenging and inconsistent, with particular regard to international markets.

While the directors consider that the outlook presents significant opportunities it also presents a number of challenges. Such challenges relate principally to the achievement and timing of forecast sales levels and the consequent impact on working capital. While this clearly represents a degree of risk to a business such as this, the directors have prepared forecasts for a period that includes twelve months from the date of approving these financial statements. These take account of identified risks along with mitigating factors that might be applied. The directors conclude that on this basis they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future while being mindful of the need to carefully manage the company's finite resources. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 1. Accounting policies (continued)

### 1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;

Turnover in respect of non-refundable fees from the sale of end-user site licenses is recognised immediately upon delivery of the software and licence.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 1. Accounting policies (continued)

#### 1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- 3 to 5 years
Motor vehicles	- 5 years
Fixtures, fittings and equipment	- 5 years
Office equipment and computers	- 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Income and Retained Earnings.

#### 1.6 Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

#### 1.7 Development costs

All research and development costs are written off as incurred.

#### 1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods includes labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 1. Accounting policies (continued)

#### 1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 1.11 Financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

The company has entered into a non-basic financial liability that is repayable over more than one year. In line with FRS 102.12.7, initial recognition of this liability was at its fair value. Any difference between the fair value of the liability and the cash received is recognised in the statement of income and retained earnings during the period in which it arose. Subsequent measurement of the liability is also at fair value - based upon the present value of expected future cash flows under the arrangement discounted at a market rate for a similar instrument. Any differences arising in the expected cash flows are recognised in the statement of income and retained earnings during the period in which they arise.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 1. Accounting policies (continued)

#### Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 1.12 Foreign currency translation

##### Functional and presentation currency

The company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

#### 1.13 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 1. Accounting policies (continued)

#### 1.14 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### 1.15 Research and development

All research and development costs are written off as incurred.

#### 1.16 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

#### 1.17 Taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development tax credits are recognised once the claim has been confirmed by HMRC. A corporation tax debtor is recognised for the amount recoverable and a credit is made in the profit and loss account.



# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgments, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

### Non-basic financial instruments:

FRS 102 requires non-basic financial instruments to be recognised at fair value. Previously under UK GAAP such instruments would have been recognised at amortised cost. The company has one non-basic financial instrument as detailed in note 17 to the financial statements. The estimation of the associated fair values requires the combination of several assumptions – many of which are linked directly to the terms of the instrument. Several are dependent upon the future performance of the company (which determines both the level and timing of repayments).

## 3. Analysis of turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	569,746	763,742
Rest of Europe	440,608	403,727
Rest of the world	2,945,372	1,272,386
	<u>3,955,726</u>	<u>2,439,855</u>

## 4. Other operating income

	2015 £	2014 £
Research and development tax credit	104,120	-
	<u>104,120</u>	<u>-</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 5. Operating loss

The operating loss is stated after charging/(crediting):

	2015 £	2014 £
Research & development charged as an expense	850,721	1,290,219
Depreciation of tangible fixed assets	55,234	40,380
Exchange differences	(185,982)	(89,022)
Defined contribution pension cost	58,106	61,562
Operating lease rentals - property	116,313	107,013
	<u>116,313</u>	<u>107,013</u>

## 6. Auditor's remuneration

	2015 £	2014 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	13,150	13,625
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Other services relating to taxation	7,390	7,245

## 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	1,680,923	2,189,192
Social security costs	171,252	229,829
Cost of defined contribution scheme	58,106	61,562
	<u>1,910,281</u>	<u>2,480,583</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Production	10	13
Development and technical support	24	39
Office and management	6	8
Sales and distribution	16	16
	<u>56</u>	<u>76</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 8. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	210,404	277,893
Company contributions to defined contribution pension schemes	12,475	14,451
	<u>222,879</u>	<u>292,344</u>

During the year retirement benefits were accruing to 3 directors (2014 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £110,215 (2014 - £113,295).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,688 (2014 - £7,641).

Key management is considered to comprise the directors of L. J. Create Limited. This assessment has been made having regard to the nature of the company, its size and basis of operation.

## 9. Interest receivable

	2015 £	2014 £
Interest receivable from group companies	18,750	18,750
Other interest receivable	-	251
	<u>18,750</u>	<u>19,001</u>

## 10. Interest payable and similar charges

	2015 £	2014 £
Bank interest payable	7,080	75,936
Other loan interest payable	26,584	-
	<u>33,664</u>	<u>75,936</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 11. Taxation

	2015 £	2014 £
<b>Corporation tax</b>		
Current tax on profits for the year	23,304	-
	<u>23,304</u>	<u>-</u>

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - higher than) the standard rate of corporation tax in the UK of 20% (2014 - 20%). The differences are explained below:

	2015 £	2014 £
Profit/(loss) on ordinary activities before tax	826,064	(2,137,632)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	165,213	(427,526)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	500	1,310
Capital allowances for year in excess of depreciation	10,967	10,052
Utilisation of tax losses	(155,856)	-
Unrelieved tax losses carried forward	-	416,164
Effect of change in tax rate	2,480	-
<b>Total tax charge for the year</b>	<u>23,304</u>	<u>-</u>

### Factors that may affect future tax charges

Legislation to reduce the main rate of corporation tax from 20% to 18% by 1 April 2020 was included in the Finance Act 2014 and has since become substantively enacted.

As disclosed in note 20 the company has significant trading losses carried forward which can be offset against future trading profits.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

**12. Tangible fixed assets**

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2015	257,695	40,754	104,668	385,730	788,847
Additions	5,363	-	-	-	5,363
Disposals	-	(15,138)	-	-	(15,138)
At 31 December 2015	<u>263,058</u>	<u>25,616</u>	<u>104,668</u>	<u>385,730</u>	<u>779,072</u>
<b>Depreciation</b>					
At 1 January 2015	190,174	39,822	104,668	337,829	672,493
Charge for the year	25,439	932	-	28,863	55,234
Disposals	-	(15,138)	-	-	(15,138)
At 31 December 2015	<u>215,613</u>	<u>25,616</u>	<u>104,668</u>	<u>366,692</u>	<u>712,589</u>
<b>Net book value</b>					
At 31 December 2015	<u>47,445</u>	<u>-</u>	<u>-</u>	<u>19,038</u>	<u>66,483</u>
At 31 December 2014	<u>67,521</u>	<u>932</u>	<u>-</u>	<u>47,901</u>	<u>116,354</u>

**13. Stocks**

	2015 £	2014 £
Raw materials and consumables	366,917	421,353
Work in progress	137,113	147,858
Finished goods and goods for resale	196,610	443,485
	<u>700,640</u>	<u>1,012,696</u>

Stock recognised in cost of sales during the year as an expense was £1,188,046 (2014 - £606,289).

An impairment loss of £1,350 (2014 - NIL) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

**14. Debtors**

	2015 £	2014 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	404,907	998,638
<b>Due within one year</b>		
Trade debtors	40,396	510,845
Amounts owed by group undertakings	129,226	225,761
Other debtors	1,991	6,248
Prepayments and accrued income	36,892	76,642
Tax recoverable	80,816	-
	<u>694,228</u>	<u>1,818,134</u>

While there are no formal repayment terms in relation to the amounts owed by group undertakings, the directors consider that certain amounts, as disclosed above, are unlikely to be repaid within the next twelve months. Such balances are included at their fair value having regard to the anticipated recoverable amount of such balances.

**15. Cash and cash equivalents**

	2015 £	2014 £
Cash at bank and in hand	<u>347,364</u>	<u>216,441</u>

**16. Creditors: Amounts falling due within one year**

	2015 £	2014 £
Bank overdrafts	-	3,188,057
Trade creditors	68,815	205,552
Amounts owed to group undertakings	1	2,530
Taxation and social security	47,936	87,487
Accruals and deferred income	654,430	472,464
	<u>771,182</u>	<u>3,956,090</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 17. Creditors: Amounts falling due after more than one year

	2015 £	2014 £
Other loans (note 18)	1,027,238	-
	<u>1,027,238</u>	<u>-</u>

### Other loans

The carrying value of the financial instrument held at fair value has been calculated based on the present value of expected outflows relating to the settlement of the associated liability. Such present value calculations require assumptions to be made. The principle assumptions so adopted are: (i) timing of repayments – annually for a period of ten years concluding 31 December 2025 (ii) value of repayments – contingent upon performance and therefore the expected repayments are in line with the directors' assessment of anticipated future profitability (iii) interest – calculated as 2% above LIBOR in line with the underlying agreement (iv) discount rate – calculated at 13% having regard to the nature of the debt (an approximation of Mezzanine debt terms used).

The principle terms of the loan are as follows:

- Principal amount - £2 million
- Security – fixed and floating charges over the company's assets
- Interest – 2% above LIBOR payable quarterly

The loan is shown as falling due after more than one year as no repayments are due before 31 December 2016. Subsequent ageing is based on estimates of profitability and consequent repayment profiles.

## 18. Loans

Analysis of the maturity of loans is given below:

	2015 £	2014 £
<b>Amounts falling due 2-5 years</b>		
Other loans	528,512	-
<b>Amounts falling due after more than 5 years</b>		
Other loans	<u>498,726</u>	<u>-</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 19. Financial instruments

	2015 £	2014 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	923,884	1,957,933
	<u>923,884</u>	<u>1,957,933</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(723,246)	(3,868,603)
Financial liabilities measured at fair value through profit and loss	(1,027,238)	-
	<u>(1,750,484)</u>	<u>(3,868,603)</u>

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed to group undertakings and accruals and deferred income.

Financial Liabilities measured at fair value through profit and loss comprise other loans.

## 20. Deferred taxation

The company has a deferred tax asset that has not been provided due to uncertainty as to its future recoverability. The deferred tax asset not provided for consists of:

	2015 £	2014 £
Depreciation in excess of capital allowances	36,010	28,105
Other timing differences	990	1,045
Losses carried forward	491,153	713,048
	<u>528,153</u>	<u>742,198</u>

## 21. Share capital

	2015 £	2014 £
<b>Authorised, allotted, called up and fully paid</b>		
12,476 Ordinary shares of £1 each	<u>12,476</u>	<u>12,476</u>



## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 22. Reserves

#### Share premium

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

#### Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

#### Profit & loss account

This reserve records all current and prior period retained profits and losses.

### 23. Commitments under operating leases

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £	2014 £
Not later than 1 year	93,039	118,500
Later than 1 year and not later than 5 years	395,000	-
<b>Total</b>	<b>488,039</b>	<b>118,500</b>

### 24. Controlling party

The company is a wholly owned subsidiary of L J Group Limited, a company registered in the United Kingdom.

The company's ultimate controlling party is C J Rowe by virtue of his ownership of the majority of the share capital of L J Group Limited.

### 25. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.