



**LJ GROUP LIMITED**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2012

Registered no 5738353

# **LJ GROUP LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 March 2012

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# **LJ GROUP LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their annual report and the audited financial statements for the year ended 31 March 2012

### **Principal activities**

The principal activity of the company is that of a holding company. The principal activity of its principal subsidiary undertaking is the manufacture, sale and distribution of electronic teaching equipment.

During the year the group disposed of its entire shareholding in Costessey Park Golf Course Limited.

### **Results and dividends**

The group made a loss after tax and minority interests of £871,063 (2011: loss of £1,503,141).

The directors do not recommend the payment of a dividend.

### **Business review and future developments**

With business flat in the UK and the continued uncertain nature of overseas projects, we faced a major restructuring of the business in both the UK and the USA. It was to involve,

- the sale of our New York building and relocation into smaller rented accommodation,
- a substantial reduction in personnel employed in our Norwich development department.

At this time an interest in purchasing L J Group was shown by Infinitas Learning. They expressed an interest in growing the capabilities of the LJ development department to meet the requirements of other members of the Infinitas group of companies. They were also keen to grow the LJ Create business in the UK and overseas, which would include increased investment into the USA business. With Infinitas Learning in a strong position to take the Company forward, the Board voted unanimously to accept their purchase offer.

In January, 2012, all shares in the business were purchased by Nelson Thorne, a UK based member of the Infinitas Learning group.

Both myself and Harold Freese, Vice President of LJ Create Inc., agreed to retire from the Company in January 2013.

Having led the Company for more than thirty-three years, I am disappointed to be stepping aside, but I acknowledge that the future for the staff is more secure in the hands of a younger team. Unquestionably it was the quality of our products and the talented teams throughout our business that attracted Infinitas.

We have continued to ask for a massive contribution from a reducing number of staff. The Directors wish to express their thanks to all staff members for their hard work and commitment, which was necessary to carry us through very difficult times.

On a personal level I wish to express my gratitude to all the staff and directors who, for so many years, made it possible for me to enjoy such a long and happy life in business.

### **Key financial performance indicators**

	2012 £	2011 £
Turnover	5,032,550	5,715,650
Gross profit	2,922,408	3,018,096
Gross margin (%)	58.1%	52.8%
Loss before tax	(887,851)	(1,529,170)

# **LJ GROUP LIMITED**

## **REPORT OF THE DIRECTORS**

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### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the group are as follows

- Within the group's traditionally core markets of the UK and the US the group's turnover is heavily dependent upon the level of education spending by central government and state departments. Over recent years there has been a decline in spending in both of these key markets. To mitigate against this risk the directors have focused efforts on growing turnover in other overseas markets. The directors have also looked at other opportunities including the provision of internet based science material in Texas,
- Overseas sales tend to be large one off projects with a significant lead time between receiving a sales enquiry and converting this to a sales order. As a result the group is exposed to a number of risks, including political and civil unrest in these overseas markets, that may mean orders are delayed or do not come to fruition,
- The nature of the group's operations are such that the group does not have a significant secured forward order book and the group is therefore exposed to significant peaks and troughs in business, depending on the level of overseas sales. As a result the group's results can be volatile from one year to another

### **Financial risk management policies and objectives**

In common with other businesses, the group aims to minimise financial risk. The measures used by the directors to manage this risk include the preparation of profit and cash flow forecasts, regular monitoring of actual performance against these forecasts and ensuring that adequate financing facilities are in place to meet the requirements of the business. Trade debtors are also closely monitored to keep the risk of bad debts to a minimum.

The group uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks, primarily interest rate risk and currency risk. The group finances its operations through a mixture of long and short term bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. The group is exposed to transaction foreign exchange risk as a result of trading in overseas markets. Traditionally, the bulk of overseas sales are to the United States, through the subsidiary company LJ Technical Systems Inc. Both the income and cost base of this company are in US\$ and there is, therefore, a natural hedge over foreign exchange risk. Where an overseas contract is significant in value the directors may choose to hedge the foreign exchange risk by the use of forward currency contracts, although no such contracts were in force at any point during the year.

### **Research and development**

The group commits resources to research and development to assist in securing its competitive position in chosen markets. The cost of research and development for the year is disclosed within note 3 to the financial statements.

### **Directors**

The directors who held office during the year are as follows

L J Rowe	
T D Whiting	
D T Breeze	
C J Rowe	
C Clarke	
A J Whiteley	(resigned 31 July 2011)
C A Blackburn	(appointed 23 January 2012, resigned 30 November 2012)
P W L Howarth	(appointed 23 January 2012)
M A Leese	(appointed 23 January 2012)
C J Turner	(appointed 9 February 2012)

# **LJ GROUP LIMITED**

## **REPORT OF THE DIRECTORS**

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### **Statement of directors' responsibilities**

The directors are responsible for preparing the report of the directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company for that period. In preparing these 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
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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.

In so far as each of the directors is aware

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

ON BEHALF OF THE BOARD



L J Rowe  
Director  
10 December 2012

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LJ GROUP LIMITED**

We have audited the financial statements of LJ Group Limited for the year ended 31 March 2012 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses 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).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than 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 Statement of directors responsibilities 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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



Nigel Savory  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP,  
Statutory Auditor, Chartered Accountants  
Norwich

2 December 2012

## **LJ GROUP LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and under the historical cost convention

#### **GOING CONCERN**

The financial statements have been drawn up on the going concern basis. The applicability of this basis of accounting is set out in detail in note 1 to the financial statements

#### **CONSOLIDATION**

The consolidated accounts incorporate the accounts of the company and its subsidiary undertakings. The accounts of all subsidiary undertakings are made up to 31 March 2012. The company has not disclosed its own profit and loss account as permitted by section 408 of the Companies Act 2006

#### **TURNOVER**

Turnover represents sales to customers, at invoiced value less value added tax, made during the year. Turnover in respect of the sales of goods is recognised at the point of despatch

#### **DEPRECIATION**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows

Freehold buildings	-	40 years
Office equipment and computers	-	5 years
Plant and machinery	-	5 years
Fixtures, fittings and equipment	-	5 years
Motor vehicles	-	5 years

Freehold land is not depreciated

#### **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the year end

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date

Differences on exchange arising from the translation of the opening net assets of the foreign subsidiary denominated in foreign currency and of any related loans are taken to reserves. Other exchange differences are taken to the profit and loss account when they arise

#### **PENSION COSTS**

The group operates an executive pension scheme and an employees pension scheme both of which are independently administered and are defined contribution schemes. The pension cost in the financial statements represents contributions payable by the group to the schemes

#### **RESEARCH AND DEVELOPMENT**

All research and development costs are written off as incurred

#### **LEASES**

The cost of assets acquired on finance leases and hire purchase agreements are capitalised and written off over their estimated useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease

Operating lease rentals are charged to the profit and loss account in the year to which they relate

## **LJ GROUP LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **FINANCIAL INSTRUMENTS**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### **STOCKS**

Stocks are stated at the lower of cost and net realisable value. Raw materials and other stocks are valued at cost on a first in first out basis. Work in progress is valued at cost of raw materials plus cost of manufacture. Finished goods and work in progress include a proportion of attributable overhead appropriate to the particular stage reached in the manufacturing process.

#### **TAXATION**

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with Financial Reporting Standard 19 (FRS 19) 'Deferred taxation', provision is made for deferred taxation in respect of all timing differences that have originated but not reversed by the balance sheet date. Provision is not made for deferred tax assets unless there is a reasonable certainty of their recovery against future taxable profits. Deferred taxation balances are not discounted.



**LJ GROUP LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2012

	Note	2012 £	2011 £
<b>Turnover</b>			
Existing operations		4,636,887	5,284,519
Discontinued operations		395,663	431,131
		<hr/>	<hr/>
Cost of sales	2	5,032,550 (2,110,142)	5,715,650 (2,697,554)
		<hr/>	<hr/>
<b>Gross profit</b>		2,922,408	3,018,096
Distribution costs		(350,907)	(636,842)
Administrative expenses (including exceptional items amounting to £nil (2011 £500,360))		(3,443,296)	(4,250,891)
Other operating income	5	13,130	365,000
		<hr/>	<hr/>
Existing operations	3	(820,822)	(1,416,126)
Discontinued operations	3	(37,843)	(88,511)
<b>Operating loss</b>		(858,665)	(1,504,637)
Loss on disposal of discontinued operations	30	(4,062)	-
		<hr/>	<hr/>
<b>Loss before interest and tax</b>		(862,727)	(1,504,637)
Interest receivable and similar income	8	339	839
Interest payable and similar charges	9	(25,463)	(25,372)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	4	(887,851)	(1,529,170)
Tax on loss on ordinary activities	10	(372)	851
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation</b>		(888,223)	(1,528,319)
Minority interest	22	17,160	25,178
		<hr/>	<hr/>
<b>Loss for the financial year</b>	21	(871,063)	(1,503,141)
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The accompanying accounting policies and notes form an integral part of these financial statements

**LJ GROUP LIMITED****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 March 2012**

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	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
Loss for the financial year		<b>(871,063)</b>	<b>(1,503,141)</b>
Exchange gain/(loss) arising on translation		<b>523</b>	<b>(41,861)</b>
		<hr/>	<hr/>
<b>Total recognised gains and (losses) relating to the year</b>		<b>(870,540)</b>	<b>(1,545,002)</b>
		<hr/>	<hr/>


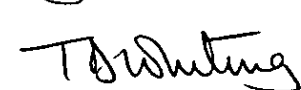
The accompanying accounting policies and notes form an integral part of these financial statements

## CONSOLIDATED BALANCE SHEET AT 31 MARCH 2012

	Note	2012		2011	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets			-		2
Tangible assets	11		618,486		2,028,700
			<u>618,486</u>		<u>2,028,702</u>
<b>Current assets</b>					
Stocks and work in progress	13	529,460		696,612	
Debtors	14	537,095		474,851	
Cash at bank and in hand		792,199		500,889	
		<u>1,858,754</u>		<u>1,672,352</u>	
<b>Creditors: amounts falling due within one year</b>	15	(943,389)		(1,271,861)	
<b>Net current assets</b>			<u>915,365</u>		<u>400,491</u>
<b>Total assets less current liabilities</b>			<u>1,533,851</u>		<u>2,429,193</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(11,070)		(26,531)
<b>Net assets</b>			<u>1,522,781</u>		<u>2,402,662</u>
<b>Capital and reserves</b>					
Share capital	20		12,225		12,225
Share premium account	21		64,920		64,920
Capital redemption reserve	21		131,870		131,870
Profit and loss account	21		1,313,766		2,184,306
<b>Equity shareholders' funds</b>	26		<u>1,522,781</u>		<u>2,393,321</u>
Minority interest	22		-		9,341
			<u>1,522,781</u>		<u>2,402,662</u>

These financial statements were approved by the board of directors, signed and authorised for issue on 10 December 2012

L J Rowe Director

T D Whiting Director


The accompanying accounting policies and notes form an integral part of these financial statements

## COMPANY BALANCE SHEET AT 31 MARCH 2011

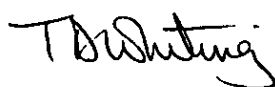
	Note	2012 £	2011 £
<b>Fixed assets</b>			
Investments	12	96,877	75,077
<b>Total assets less current liabilities</b>		<u>96,877</u>	<u>75,077</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(71,868)	(49,969)
<b>Net assets</b>		<u>25,009</u>	<u>25,108</u>
<b>Capital and reserves</b>			
Share capital	20	12,225	12,225
Capital redemption reserve	21	251	251
Profit and loss account	21	12,533	12,632
<b>Equity shareholders' funds</b>		<u>25,009</u>	<u>25,108</u>

These financial statements were approved by the board of directors, signed and authorised for issue on 10 December 2012

L J Rowe Director



T D Whiting Director



The accompanying accounting policies and notes form an integral part of these financial statements

**LJ GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2012

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Cash outflow from operating activities</b>	23	<b>(592,913)</b>	<b>(444,990)</b>
<b>Returns on investments and servicing of finance</b>	24	<b>(25,124)</b>	<b>(24,533)</b>
<b>Taxation</b>		<b>2,912</b>	<b>(2,497)</b>
<b>Capital expenditure and financial investment</b>	24	<b>1,297,513</b>	<b>(11,423)</b>
<b>Acquisitions and disposals</b>	24	<b>(69,066)</b>	<b>-</b>
<b>Cash inflow/(outflow) before financing</b>		<b>613,322</b>	<b>(483,443)</b>
<b>Cash outflow from financing</b>	24	<b>(268,804)</b>	<b>(131,943)</b>
<b>Increase/(decrease) in cash in the year</b>	25	<b>344,518</b>	<b>(615,386)</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (NOTE 25)**

	<b>2012 £</b>	<b>2011 £</b>
<b>Increase/(decrease) in cash in the year</b>	<b>344,518</b>	<b>(615,386)</b>
<b>Cash outflow from decrease in debt and lease financing</b>	<b>268,804</b>	<b>129,943</b>
<b>Change in net funds resulting from cash flows</b>	<b>613,322</b>	<b>(485,443)</b>
<b>New finance leases</b>	<b>-</b>	<b>(18,644)</b>
<b>Exchange movements</b>	<b>257</b>	<b>(10,676)</b>
<b>Movement in net funds in the year</b>	<b>613,579</b>	<b>(514,763)</b>
<b>Net funds at 1 April</b>	<b>152,071</b>	<b>666,834</b>
<b>Net funds at 31 March</b>	<b>765,650</b>	<b>152,071</b>

The accompanying accounting policies and notes form an integral part of these financial statements

# LJ GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 1 GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out within the directors report. As disclosed in note 28, on 23 January 2012 the entire issued share capital of LJ Group Limited was acquired by Nelson Thornes Limited, a subsidiary of Infinitas Learning Holding BV. On the same date the group sold the freehold property known as Costessey Park Golf Course for £1.1m. Part of the proceeds from this sale have been used to clear the bank overdraft previously provided by the group's bankers HSBC and this facility is now no longer available to the group. Any additional working capital required is now provided by members of the Infinitas Learning group.

The directors of Infinitas Learning Holding BV have provided a formal letter of support, dated 1 October 2012, confirming that it is the current intention of that company to continue to provide financial and other support to LJ Group Limited for the next twelve months, and thereafter for the foreseeable future, to allow the company and group to continue to operate as a going concern. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

### 2 ANALYSIS OF TURNOVER

	2012 £	2011 £
United Kingdom	1,066,403	1,503,801
North and Central America	1,533,114	2,285,215
Europe and Rest of World	2,433,033	1,926,634
	<u>5,032,550</u>	<u>5,715,650</u>

### 3 ANALYSIS OF DISCONTINUED OPERATIONS

On 23 January 2012, the group disposed of its interest in the share capital of Costessey Park Golf Course Limited. The results of Costessey Park Golf Course Limited up to the date of disposal and the comparatives for the year ended 31 March 2011 are shown under discontinued operations.

	Continuing 2012 £	Discontinued 2012 £	Total 2012 £	Continuing 2011 £	Discontinued 2011 £	Total 2011 £
Turnover	4,636,887	395,663	5,032,550	5,284,519	431,131	5,715,650
Cost of sales	(1,852,905)	(257,237)	(2,110,142)	(2,389,065)	(308,489)	(2,697,554)
Gross profit	<u>2,783,982</u>	<u>138,426</u>	<u>2,922,408</u>	<u>2,895,454</u>	<u>122,642</u>	<u>3,018,096</u>
Distribution costs	(350,907)	-	(350,907)	(636,842)	-	(636,842)
Admin expenses	(3,267,027)	(176,269)	(3,443,296)	(4,039,738)	(211,153)	(4,250,891)
Other operating income	<u>13,130</u>	<u>-</u>	<u>13,130</u>	<u>365,000</u>	<u>-</u>	<u>365,000</u>
Operating loss	<u>(820,822)</u>	<u>(37,843)</u>	<u>(858,665)</u>	<u>(1,416,126)</u>	<u>(88,511)</u>	<u>(1,504,637)</u>

# LJ GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging/(crediting)

	2012 £	2011 £
Auditor's remuneration		
Audit fees in respect of the company's annual accounts (paid by LJ Create)	6,550	6,500
Fees paid in respect of other services - audit of the company's subsidiaries	16,050	15,200
- tax services	9,660	7,580
- company secretarial	3,200	1,840
Depreciation of tangible fixed assets		
Owned	61,521	103,448
Hire purchase	21,388	29,974
Profit on disposal of tangible fixed assets	(6,765)	(10,136)
Operating lease payments		
Property	111,425	133,162
Plant and machinery	5,535	11,503
Research and development expenditure	678,430	698,716
Exceptional item (included within administrative expenses)		
Impairment provision in respect of freehold property	-	500,360

The loss after taxation, and before dividends, in the company amounted to £99 (2011 £Nil)

### 5 OTHER OPERATING INCOME

	2012 £	2011 £
Exchange gains	13,130	-
Contribution received towards development costs	-	365,000
	13,130	365,000

### 6 DIRECTORS' EMOLUMENTS

	2012 £	2011 £
Directors' emoluments	479,945	515,673
Company contributions to money purchase pension schemes	33,830	33,900

The emoluments of the highest paid director were £131,224 (2011 £126,341) and company pension contributions of £13,146 were made to a money purchase scheme on his behalf (2011 £13,200)

Retirement benefits are accruing to five (2011 four) directors in respect of money purchase pension schemes

# **LJ GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

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### **7 STAFF NUMBERS AND COSTS**

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

	<b>Number of employees</b>	
	<b>2012</b>	<b>2011</b>
Production	22	26
Development and technical support	23	26
Office and management	13	15
Sales and distribution	28	32
Golf course maintenance	13	12
	<hr/>	<hr/>
	99	111
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,755,421	3,157,627
Social security costs	263,978	319,324
Pension costs	93,249	92,739
	<hr/>	<hr/>
	3,112,648	3,569,690
	<hr/>	<hr/>

### **8 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Bank interest	339	839
	<hr/>	<hr/>

### **9 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	20,215	18,424
Other interest	2,043	2,115
Finance charges payable in respect of hire purchase contracts	3,205	4,833
	<hr/>	<hr/>
	25,463	25,372
	<hr/>	<hr/>



**LJ GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

**10 TAX ON LOSS ON ORDINARY ACTIVITIES****(a) Analysis of charge/(credit) for the year**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Current tax - United Kingdom</b>		
Over provision in respect of previous years	-	(11,776)
	-	(11,776)
<b>Current tax - Foreign</b>		
In respect of current year	372	-
Total current tax (note 10(b))	372	(11,776)
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	1,019
Adjustment in respect of prior year	-	(16,097)
Adjustment for deferred tax no longer provided	-	26,003
Total deferred tax (note 17)	-	10,925
Total tax charge/(credit)	372	(851)

**(b) Factors affecting the taxation credit for the year**

The taxation credit assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK. The differences are explained below

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	(887,851)	(1,529,170)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%) - expected credit	(230,841)	(428,168)
Effects of		
Expenses not deductible for tax purposes	9,349	15,789
Exceptional write down of freehold property not tax deductible	-	140,101
Difference between depreciation and capital allowances and other timing differences	(98)	24,272
Losses carried forward	238,615	248,006
Adjustments to tax charge in respect of previous year	-	(11,776)
Other timing differences	(16,653)	-
Current taxation charge/(credit) for year (note 10(a))	372	(11,776)

# LJ GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 11 TANGIBLE FIXED ASSETS

Group	Freehold property £	Office equipment and computers £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost						
At 1 April 2011	3,039,953	364,191	518,210	306,806	199,780	4,428,940
Exchange translation differences	3,376	87	346	218	283	4,310
Additions	-	1,903	36,251	1,985	-	40,139
Disposals	(2,141,109)	(10,551)	(250,172)	(129,952)	-	(2,531,784)
At 31 March 2012	902,220	355,630	304,635	179,057	200,063	1,941,605
Depreciation						
At 1 April 2011	1,127,417	327,668	502,912	303,284	138,959	2,400,240
Exchange translation differences	1,134	39	332	217	211	1,933
Charge for year	32,299	13,644	9,171	1,675	26,120	82,909
On disposals	(810,221)	(9,907)	(215,400)	(126,435)	-	(1,161,963)
At 31 March 2012	350,629	331,444	297,015	178,741	165,290	1,323,119
Net book value at 31 March 2012	551,591	24,186	7,620	316	34,773	618,486
Net book value at 31 March 2011	1,912,536	36,523	15,298	3,522	60,821	2,028,700

The net book value of tangible fixed assets includes an amount of £30,003 (2011 £49,212) in respect of assets held under hire purchase contracts. The amount of depreciation allocated during the year for such assets amounts to £21,388 (2011 £29,974). Included within freehold property is land with a net book value of £m1 (2011 £860,000) for which no depreciation has been charged.

**LJ GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

**12 FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Shares in subsidiaries £</b>
Cost and net book value	
At 1 April 2011	75,077
Additions	21,900
Disposals (note 30)	(100)
	<hr/>
At 31 March 2012	96,877
	<hr/>

The addition to fixed asset investments relates to the purchase of the remaining 5% of the issued share capital of L J Technical Systems Inc

As at 31 March 2012 the company had the following investments in subsidiary undertakings

	<b>Country of incorporation</b>	<b>Percentage of ordinary shares held</b>	<b>Activity</b>
LJ Create Limited	England	100%	Sale and distribution of electronic teaching equipment
LJ Technical Systems Inc	United States	100%	Sale and distribution of electronic teaching equipment
Digiac Limited	England	100%	Dormant

**13 STOCKS AND WORK IN PROGRESS**

	<b>Group</b>	
	<b>2012 £</b>	<b>2011 £</b>
Raw materials	311,292	369,388
Work in progress	134,891	150,663
Finished goods	83,277	176,561
	<hr/>	<hr/>
	529,460	696,612
	<hr/>	<hr/>

# **LJ GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

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### **14 DEBTORS**

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade debtors	209,731	351,483
Amounts owed by group undertakings	212,280	-
Corporation tax	333	3,607
Other debtors	20,090	748
Prepayments	94,661	119,013
	<hr/>	<hr/>
	<b>537,095</b>	<b>474,851</b>
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### **15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Bank overdraft	-	54,048
Mortgage (note 16)	-	244,800
Obligations under hire purchase contracts (note 16)	15,479	23,439
Trade creditors	300,333	259,909
Amounts owed to group undertakings	203,391	-
Taxation and social security	62,944	76,163
Other creditors	-	44,886
Accruals and deferred income	361,242	568,616
	<hr/>	<hr/>
	<b>943,389</b>	<b>1,271,861</b>
	<hr/>	<hr/>

The bank overdraft was secured by fixed and floating charges over the assets of the group

# LJ GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Obligations under hire purchase contracts (payable within five years)	11,070	26,531	-	-
Amounts owed to subsidiary undertakings	-	-	71,868	49,969
	<u>11,070</u>	<u>26,531</u>	<u>71,868</u>	<u>49,969</u>

The obligations under hire purchase contracts are secured on the assets acquired

The amounts payable by the group for the mortgages, bank loans and other loan fall due for payment as follows

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Mortgages.</b>		
Within one year	-	244,800

Both the mortgages in the UK and US were fully repaid in the year following the acquisition of the group by Nelson Thornes Limited

### 17 DEFERRED TAXATION

At the year end, the group had a deferred asset of £649,172 (2011 £641,127) which has not been provided for. This is due to uncertainty as to the recoverability of this asset against future taxable profits.

	<b>Provided</b>		<b>Not provided</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Group</b>				
Depreciation in excess of capital allowances	-	-	12,666	43,213
Other timing differences	-	-	1,612	19,606
Losses carried forward	-	-	634,894	578,308
	<u>-</u>	<u>-</u>	<u>649,172</u>	<u>641,127</u>

The above deferred tax assets have not been provided for as there remains uncertainty as to the future recovery of these assets

# **LJ GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

### **18 COMMITMENTS**

#### **Operating lease commitments**

At 31 March 2012 the group had the following annual commitments under non-cancellable operating leases in respect of

	2012 £	2011 £
<i>Land and buildings</i>		
Expiring between two and five years	123,805	123,805

### **19 CONTINGENT LIABILITIES**

At the year end, the group had a potential obligation to make safe a listed building that it owns. The estimated cost of carrying out this work is £70,000 (2011 £70,000)

### **20 CALLED UP SHARE CAPITAL**

	2012 £	2011 £
Allotted, issued and fully paid – Equity shares		
Ordinary shares of £1 each	12,225	12,225

### **21 RESERVES**

	Profit and loss account £	Capital redemption reserve £	Share premium £
<b>Group</b>			
At beginning of year	2,184,306	131,870	64,920
Loss for the financial year	(871,063)	-	-
Foreign currency translation adjustment	523	-	-
At end of year	1,313,766	131,870	64,920
		Profit and loss account £	Capital redemption reserve £
<b>Company</b>			
At beginning of year		12,632	251
Loss for the financial year		(99)	-
At end of year		12,533	251

## **LJ GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

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#### **22 MINORITY INTERESTS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
At beginning of year	<b>9,341</b>	36,723
Share of result for year	<b>(17,160)</b>	(25,178)
Share of exchange gain/(loss)	<b>28</b>	(2,204)
Eliminated on acquisition of remaining shares	<b>7,791</b>	-
	<hr/>	<hr/>
At end of year	<b>-</b>	9,341
	<hr/>	<hr/>

#### **23 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Operating loss	<b>(858,665)</b>	(1,504,637)
Depreciation charge	<b>82,909</b>	133,422
Profit on disposal of fixed assets	<b>(6,765)</b>	(10,137)
Impairment provision in respect of fixed assets	<b>-</b>	500,360
Decrease in stocks	<b>146,289</b>	157,284
(Increase)/decrease in debtors	<b>(75,180)</b>	477,063
Increase/(decrease) in creditors	<b>118,499</b>	(198,345)
	<hr/>	<hr/>
Cash outflow from operating activities	<b>(592,913)</b>	(444,990)
	<hr/>	<hr/>

**LJ GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

**24 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2012 £	2011 £
<b>Returns on investment and servicing of finance</b>		
Interest received	339	839
Interest paid	(22,258)	(20,539)
Interest element of finance lease payments	(3,205)	(4,833)
	<u>          </u>	<u>          </u>
Net cash outflow for returns on investment and servicing of finance	(25,124)	(24,533)
	<u>          </u>	<u>          </u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(40,139)	(22,776)
Sale of tangible fixed assets	1,337,652	11,353
	<u>          </u>	<u>          </u>
Net cash inflow/(outflow) for capital expenditure and financial investment	1,297,513	(11,423)
	<u>          </u>	<u>          </u>
<b>Acquisitions and disposals</b>		
Sale of subsidiary undertaking	1	-
Net cash disposed of with subsidiary undertaking	(47,167)	-
Purchase of additional shares in subsidiary undertaking	(21,900)	
	<u>          </u>	<u>          </u>
Net cash outflow for acquisitions and disposals	(69,066)	-
	<u>          </u>	<u>          </u>
<b>Financing</b>		
Mortgage repayments	(245,279)	(92,149)
Repurchase of shares	-	(2,000)
Capital element of finance lease payments	(23,525)	(37,794)
	<u>          </u>	<u>          </u>
Net cash outflow from financing	(268,804)	(131,943)
	<u>          </u>	<u>          </u>



## LJ GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

#### 25 ANALYSIS OF NET FUNDS

	2011 £	Cash flow £	Exchange movement £	2012 £
Cash at bank and in hand	500,889	290,470	840	792,199
Bank overdraft	(54,048)	54,048	-	-
	<u>446,841</u>	<u>344,518</u>	<u>840</u>	<u>792,199</u>
Debt				
Due within one year	(244,800)	245,279	(479)	-
Finance leases	(49,970)	23,525	(104)	(26,549)
	<u>152,071</u>	<u>613,322</u>	<u>257</u>	<u>765,650</u>

#### 26 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2012 £	2011 £
Loss for the financial year	(871,063)	(1,503,141)
Exchange gain/(loss) arising on translation of foreign subsidiary	523	(41,861)
	<u>(870,540)</u>	<u>(1,545,002)</u>
Net decrease to shareholders' funds		
Opening shareholders' funds - equity	2,393,321	3,940,323
	<u>1,522,781</u>	<u>2,395,321</u>
Closing shareholders' funds - equity		

#### 27 SUBSIDIARY AUDITORS

The financial statements of LJ Technical Systems Inc were audited by Vincent J Gioe, CPA. The net liabilities of LJ Technical Systems Inc at 31 March 2012 were £270,229 (2011 net assets of £186,824)

#### 28 CONTROLLING PARTIES

Up until 23 January 2012 the company was controlled by Larry Rowe by virtue of his ownership of 90% of the ordinary share capital of the company

On 23 January 2012 the entire issued share capital of the company was acquired by Nelson Thornes Limited, a company incorporated in England and Wales. The immediate parent undertaking of Nelson Thornes Limited is Infinitas Learning Holding BV, a company incorporated in the Netherlands. The majority of the shares of Infinitas Learning Holding BV are owned by European Education Holdings S a r l, a company incorporated in Luxembourg. This company therefore became the ultimate parent undertaking with effect from 23 January 2012.

## **LJ GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

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#### **29 RELATED PARTY TRANSACTIONS**

During the year the company sold the entire issued share capital of Costessey Park Golf Course Limited to L J Rowe, a director of the company, for consideration of £1. As part of the same transaction, the group sold the freehold property known as Costessey Park golf course to Costessey Park Golf Course Limited for £1,150,000. During the year, LJ Technical Systems Inc sold a residential property to L J Rowe for consideration of \$300,000. All of these transactions were carried out on an arms length basis.

At the end of the prior year LJ Technical Systems Inc owed \$71,971 to L J Rowe in respect of a directors loan. This loan was fully repaid during the current year. Interest was payable on the loan at a rate of 3% per annum with \$2,229 (2011: \$2,432) paid in the year.

Transactions between the holding company and its wholly owned subsidiaries have not been disclosed as permitted by FRS 8 (revised). There were no transactions between the company and any other related parties.

#### **30 DISPOSAL OF SUBSIDIARY UNDERTAKING**

On 23 January 2012, the group disposed of its interest in the entire issued share capital of Costessey Park Golf Course Limited. The loss of Costessey Park Golf Course Limited up to the date of disposal was £40,972, and for its last financial year was £90,438.

The net assets disposed of and the related sales proceeds were as follows:

	£
Fixed assets	38,934
Stock	21,111
Debtors	10,147
Cash	47,167
Creditors	(113,296)
<b>Net assets</b>	<b>4,063</b>
Loss on disposal	(4,062)
<b>Sales proceeds – cash</b>	<b>1</b>