

Company Registration No. 03334206 (England and Wales)

**MATHENGINE PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

# MATHENGINE PLC

## COMPANY INFORMATION

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<b>Directors</b>	D J N Nabarro K R Smith
<b>Secretary</b>	K R Smith
<b>Company number</b>	03334206
<b>Registered office</b>	No 1 The Yard Burraton Square Poundbury Dorset United Kingdom DT1 3GR
<b>Auditors</b>	Haines Watts Sterling House 19/23 High Street Kidlington Oxon OX5 2DH
<b>Business address</b>	No 1 The Yard Burraton Square Poundbury Dorset United Kingdom DT1 3GR
<b>Bankers</b>	Barclays Bank plc PO Box 333, 54 Cornmarket Street Oxford OX1 3HS
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

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# MATHENGINE PLC

## CONTENTS

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	<b>Page</b>
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Cash flow statement	9
Notes to the cash flow statement	10
Notes to the financial statements	11 - 15

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# MATHENGINE PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2013

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The directors present their report and financial statements for the year ended 30 June 2013.

#### **Principal activities and review of the business**

The Company's principal activity continues to be that of an investment company with a long term perspective.

During the year to 30th June 2013, the value of the Company's assets, decreased to £539,737 a disappointing performance over the year.

In Profit and Loss terms, your Company actually lost £89,376, but with the downwards revaluation of £281,433 on investments held, the "Statement of total recognised gains and losses" shows a total write down of £370,809 for the year.

Your Company of course has no debt and retains healthy cash balances of a little more than eight per cent (8%), held in a combination of Sterling, Australian Dollars and Canadian Dollars.

Your Company suffered from a number of investments taking longer than either promised or hoped for to come to fruition, but we remain confident that in the main, our investments will return satisfactory long term results.

In particular, DJI Holdings, one of your Company's largest shareholdings and aiming to become China's largest promoter and distributor of lottery products, has just received a very significant cash investment from its new chairman at £308 per share, some 2.6x's our cost price and a 25% uplift on the year end valuation price.

Arguably our portfolio, which has fallen in line with the S&P Global Mining Index's decline of approximately 45% over the last two years, is too heavily weighted towards the natural resources sector, but in most cases we know and trust the management and believe they will in due course deliver on their promised intentions.

#### **The Portfolio**

Your Company's Portfolio is currently invested in a total of six listed securities, four in the UK, one in Australia and one in Canada and seven unlisted securities, five in the UK and two in Australia.

At the time of writing the Portfolio's three largest listed shareholdings are Bahamian Petroleum Corporation, DJI Holdings and UTM Holdings.

#### **Results and dividends**

The results for the year are set out on page 6.

The directors cannot recommend the payment of a dividend, as there are insufficient distributable reserves to enable payment.

#### **Future developments**

The outlook is cloudy, with a strange balance between inflationary and deflationary pressures.

Despite the Western World's widespread quantitative easing, there remains a general lack of liquidity and natural concerns that interest rates will rise during the next two years. China and India have disappointed with their more restrained rate of economic development and, despite Mr. Draghi's best efforts, the outlook for the Eurozone remains both economically and politically uncertain. Unsurprisingly, I remain cautious.

# MATHENGINE PLC

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2013**

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### **Directors**

The following directors have held office since 1 July 2012:

D J N Nabarro  
K R Smith

### **Creditor payment policy**

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

### **Financial risk management**

The Company's internal controls are designed to meet its particular needs and the financial risks to which it is exposed. In this context the controls can only provide reasonable, not absolute, assurance against material errors, losses or fraud by third parties.

The directors take an active role in assessing the potential financial risks in all areas of the business by reviewing the investments regularly and also through day to day management control.

The Company's principle financial assets are investments and cash which are monitored daily.

### **Auditors**

In accordance with section 385 of the Companies Act 2006, a resolution proposing that Haines Watts be reappointed as auditors of the Company will be put to the Annual General Meeting.

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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.

# MATHENGINE PLC

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 30 JUNE 2013*

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### **Statement of disclosure to auditors**

(a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

D J N Nabarro

**Director**

30 November 2013

# MATHENGINE PLC

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF MATHENGINE PLC

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We have audited the financial statements of MathEngine plc for the year ended 30 June 2013 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **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 30 June 2013 and of its 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **MATHENGINE PLC**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF MATHENGINE PLC**

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#### **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 obtained all the information and explanations that we considered necessary for the purpose of our audit; and

**Rodney Style ACA (Senior Statutory Auditor)**  
**for and on behalf of Haines Watts**

2 December 2013

**Chartered Accountants**  
**Statutory Auditor**

Sterling House  
19/23 High Street  
Kidlington  
Oxon  
OX5 2DH



# MATHENGINE PLC

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2013

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	Notes	2013 £	2012 £
Administrative expenses		(21,816)	(111,768)
<b>Operating loss</b>	<b>2</b>	(21,816)	(111,768)
Profit on sale of fixed asset investments		(43,241)	(7,345)
Loss on broker's insolvency		11,745	(10,749)
<b>Loss on ordinary activities before interest</b>		(53,312)	(129,862)
Investment income	<b>3</b>	1,762	1,156
Other interest receivable and similar income	<b>3</b>	4	8,389
Amounts written off investments	<b>4</b>	(37,830)	(42,900)
<b>Loss on ordinary activities before taxation</b>		(89,376)	(163,217)
Tax on loss on ordinary activities	<b>5</b>	-	-
<b>Loss for the year</b>	<b>10</b>	(89,376)	(163,217)

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The profit and loss account has been prepared on the basis that all operations are continuing operations.

# MATHENGINE PLC

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2013

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	Notes	2013 £	2012 £
<b>Loss for the financial year</b>		(89,376)	(163,217)
Unrealised (deficit)/surplus on trade investment		(281,433)	205,944
<b>Total recognised gains and losses relating to the year</b>		<u>(370,809)</u>	<u>42,727</u>

### Note of historical cost profits and losses

	2013 £	2012 £
<b>Reported loss on ordinary activities before taxation</b>	(89,376)	(163,217)
Realisation of investment revaluation gains of previous years	104,481	20,073
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<u>15,105</u>	<u>(143,144)</u>
<b>Historical cost profit/(loss) for the year retained after taxation and extraordinary items</b>	<u>15,105</u>	<u>(143,144)</u>

# MATHENGINE PLC

## BALANCE SHEET

AS AT 30 JUNE 2013

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	Notes	2013		2012	
		£	£	£	£
<b>Fixed assets</b>					
Investments	6		503,790		901,669
<b>Current assets</b>					
Debtors	7	348		580	
Cash at bank and in hand		48,599		21,297	
		<u>48,947</u>		<u>21,877</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(13,000)</u>		<u>(13,000)</u>	
<b>Net current assets</b>			<u>35,947</u>		<u>8,877</u>
<b>Total assets less current liabilities</b>			<u>539,737</u>		<u>910,546</u>
<b>Capital and reserves</b>					
Called up share capital	9		2,422,003		2,422,003
Share premium account	10		12,249,614		12,249,614
Revaluation reserve	10		222,640		608,554
Profit and loss account	10		<u>(14,354,520)</u>		<u>(14,369,625)</u>
<b>Shareholders' funds</b>	11		<u>539,737</u>		<u>910,546</u>

Approved by the Board and authorised for issue on 30 November 2013

D J N Nabarro  
Director

Company Registration No. 03334206

# MATHENGINE PLC

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

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	£	2013 £	£	2012 £
<b>Net cash outflow from operating activities</b>		(21,584)		(120,827)
<b>Returns on investments and servicing of finance</b>				
Interest received	1,766		9,545	
	<hr/>		<hr/>	
<b>Net cash inflow for returns on investments and servicing of finance</b>		1,766		9,545
<b>Taxation</b>		-		(26,447)
<b>Financial investment</b>				
Payments to acquire investments	(59,420)		(70,371)	
Receipts from sales of investments	94,796		95,347	
Loss on broker's insolvency	11,744		(10,749)	
	<hr/>		<hr/>	
<b>Net cash inflow for capital expenditure</b>		47,120		14,227
		<hr/>		<hr/>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		27,302		(123,502)
<b>Net cash outflow from financing</b>		-		-
		<hr/>		<hr/>
<b>Increase/(decrease) in cash in the year</b>		<u>27,302</u>		<u>(123,502)</u>

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# MATHENGINE PLC

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

<b>1</b>	<b>Reconciliation of operating loss to net cash outflow from operating activities</b>			<b>2013</b>	<b>2012</b>
				<b>£</b>	<b>£</b>
	Operating loss			(21,816)	(111,768)
	Decrease/(increase) in debtors			232	(159)
	Increase/(decrease) in creditors within one year			-	(8,900)
	<b>Net cash outflow from operating activities</b>			<u>(21,584)</u>	<u>(120,827)</u>
<b>2</b>	<b>Analysis of net funds</b>	<b>1 July 2012</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>30 June 2013</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	Net cash:				
	Cash at bank and in hand	21,297	27,302	-	48,599
	Bank deposits	-	-	-	-
	<b>Net funds</b>	<u>21,297</u>	<u>27,302</u>	<u>-</u>	<u>48,599</u>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>			<b>2013</b>	<b>2012</b>
				<b>£</b>	<b>£</b>
	Increase/(decrease) in cash in the year			27,302	(123,502)
	<b>Movement in net funds in the year</b>			27,302	(123,502)
	Opening net funds			21,297	144,799
	<b>Closing net funds</b>			<u>48,599</u>	<u>21,297</u>

# MATHENGINE PLC

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2013**

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of fixed asset investments.

The directors have made an assessment of the company's ability to continue as a going concern and have indentified no material uncertainties that may cast a significant doubt on the ability of the company to continue as a going concern for the foreseeable future.

#### 1.2 Investments

Fixed asset investments are stated at current market value.

#### 1.3 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### 1.4 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.5 Liquid resources

Liquid resources are made up of made up of cash deposits.

### 2 Operating loss

	2013	2012
	£	£
Operating loss is stated after charging:		
Loss on foreign exchange transactions	1,213	5,458
	<u>1,213</u>	<u>5,458</u>

#### Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	4,500	4,500
Accountancy and taxation	4,550	4,318
	<u>9,050</u>	<u>8,818</u>

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# MATHENGINE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

<b>3</b>	<b>Investment income</b>	<b>2013</b>	<b>2012</b>
		£	£
	Income from fixed asset investments	1,762	1,156
	Bank interest	4	2,215
	Other interest	-	6,174
		<u>1,766</u>	<u>9,545</u>
<b>4</b>	<b>Amounts written off investments</b>	<b>2013</b>	<b>2012</b>
		£	£
	Amounts written off fixed asset investments:		
	- temporary diminution in value	37,830	54,641
	Amounts written off investments in prior years written back:		
	- fixed assets	-	(11,741)
		<u>37,830</u>	<u>42,900</u>
<b>5</b>	<b>Taxation</b>	<b>2013</b>	<b>2012</b>
	<b>Total current tax</b>	-	-
		<u>-</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(89,376)	(163,217)
		<u>(89,376)</u>	<u>(163,217)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2012 - 20.00%)	(17,875)	(32,643)
		<u>(17,875)</u>	<u>(32,643)</u>
	Effects of:		
	Non deductible expenses	150	2,530
	Prior period losses utilised	(10,730)	-
	Losses carried forward	-	21,617
	Temporary diminution in value of investments	7,566	8,580
	Other tax adjustments	20,889	(84)
		<u>17,875</u>	<u>32,643</u>
	<b>Current tax charge for the year</b>	-	-
		<u>-</u>	<u>-</u>

# MATHENGINE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2013

#### 6 Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
<b>Cost or valuation</b>			
At 1 July 2012	441,793	555,411	997,204
Additions	9,420	50,000	59,420
Revaluation	(76,636)	(204,796)	(281,432)
Disposals	(138,070)	-	(138,070)
At 30 June 2013	236,507	400,615	637,122
<b>Provisions for diminution in value</b>			
At 1 July 2012	95,536	-	95,536
Charge for the year	34,892	2,904	37,796
At 30 June 2013	130,428	2,904	133,332
<b>Net book value</b>			
At 30 June 2013	106,079	397,711	503,790
At 30 June 2012	346,257	555,412	901,669
	<b>Market value £</b>	<b>Directors' valuation £</b>	<b>Total £</b>
At 30 June 2013	106,079	397,711	503,790
At 30 June 2012	346,257	555,412	901,669

The original cost of the fixed asset investments was £414,481 (2012 - £388,650).

Not included in investments above are option positions which at 30 June 2013 amounted to an unrealised profit of £754 (2012 - £22,369.)

7 Debtors	2013 £	2012 £
Prepayments and accrued income	348	580



# MATHENGINE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

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<b>8</b>	<b>Creditors: amounts falling due within one year</b>	<b>2013</b>	<b>2012</b>	
		£	£	
	Accruals and deferred income	13,000	13,000	
		<u>13,000</u>	<u>13,000</u>	
<b>9</b>	<b>Share capital</b>	<b>2013</b>	<b>2012</b>	
		£	£	
	<b>Allotted, called up and fully paid</b>			
	25,975,467 Ordinary shares of 1p each	259,755	259,755	
	216,224,820 Deferred shares of 1p each	2,162,248	2,162,248	
		<u>2,422,003</u>	<u>2,422,003</u>	
		<u>2,422,003</u>	<u>2,422,003</u>	
<b>10</b>	<b>Statement of movements on reserves</b>			
		<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>
		£	£	£
	Balance at 1 July 2012	12,249,614	608,554	(14,369,625)
	Loss for the year	-	-	(89,376)
	Transfer from revaluation reserve to profit and loss account	-	(104,481)	104,481
	Revaluation during the year	-	(281,433)	-
		<u>12,249,614</u>	<u>222,640</u>	<u>(14,354,520)</u>
	Balance at 30 June 2013	<u>12,249,614</u>	<u>222,640</u>	<u>(14,354,520)</u>

No tax has been provided in respect of the amounts allocated to the revaluation reserve.

# MATHENGINE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2013**

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<b>11 Reconciliation of movements in shareholders' funds</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(89,376)	(163,217)
Other recognised gains and losses	(281,433)	205,944
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(370,809)	42,727
Opening shareholders' funds	910,546	867,819
	<hr/>	<hr/>
Closing shareholders' funds	<u>539,737</u>	<u>910,546</u>

## **12 Employees**

### **Number of employees**

There were no employees during the year apart from the directors.

## **13 Control**

There is no controlling party.

## **14 Related party relationships and transactions**

During the year the Company paid £Nil (2012 - £61,887) in management charges to Cato Strategic Limited. Cato Strategic Limited is a company that is 60% owned by D JN Nabarro, who is a director of Mathengine Plc.