

Company Registration No. 3334206 (England and Wales)

MATHENGINE PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

MATHENGINE PLC

COMPANY INFORMATION

Directors	D J N Nabarro K R Smith
Secretary	K R Smith
Company number	3334206
Registered office	Sterling House 19/23 High Street Kidlington Oxfordshire OX5 2DH
Auditors	HW, Chartered Accountants Sterling House 19/23 High Street Kidlington Oxfordshire OX5 2DH
Bankers	Barclays Bank plc PO Box 333, 54 Cornmarket Street Oxford OX1 3HS
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

MATHENGINE PLC

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MATHENGINE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report and financial statements for the year ended 30 June 2008.

Principal activities and review of the business

The Company's principal activity is now that of an investment company.

During the year to 30th June 2008, the value of the Company's assets after reserving for tax, increased from £552,120 as at 30th June 2007 to £673,228 at the 30th June 2008, a gratifying increase of some 22% over the period.

This performance compares to a decrease in the FTSE All Share index over the same period of some 15%.

The Company's assets are managed on a total return basis and your directors follow an investment policy of focussing on a small number of relatively large investments.

Description of Risks and Principal Uncertainties

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.

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.

Results and dividends

The results for the year are set out on page 5.

Despite the profits, the Directors do not recommend the payment of a dividend as there are insufficient distributable reserves to be able to pay a dividend.

Directors

The following directors have held office since 1 July 2007:

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.

On average, trade creditors at the year end represented 0 (2007- 0) days' purchases.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HW, Chartered Accountants be reappointed as auditors of the Company will be put to the Annual General Meeting.

MATHENGINE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

Directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records that 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 1985. 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.

Statement of disclosure to auditor

(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

3 December 2008

MATHENGINE PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MATHENGINE PLC

We have audited the financial statements of MathEngine plc on pages 5 to 15 for the year ended 30 June 2008. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MATHENGINE PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MATHENGINE PLC

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985.
- the information given in the directors' report is consistent with the financial statements.

HW, Chartered Accountants

HW, Chartered Accountants

3 December 2008

Chartered Accountants
Registered Auditor

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

MATHENGINE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 £	2007 £
Administrative expenses		(36,087)	(23,469)
Operating loss	2	(36,087)	(23,469)
Investment income	3	(94,939)	132,918
Other interest receivable and similar income	3	6,948	4,690
Amounts written back/(off) investments	4	(2,924)	22,909
Interest payable and similar charges	5	(39)	-
(Loss)/profit on ordinary activities before taxation		(127,041)	137,048
Tax on (loss)/profit on ordinary activities	6	17,949	(25,177)
(Loss)/profit for the year	11	(109,092)	111,871

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 2008

	Notes	2008 £	2007 £
(Loss)/profit for the financial year		(109,092)	111,871
Unrealised surplus on trade investment		230,200	138,053
Total recognised gains and losses relating to the year		<u>121,108</u>	<u>249,924</u>

MATHENGINE PLC

BALANCE SHEET

AS AT 30 JUNE 2008

	Notes	2008		2007	
		£	£	£	£
Fixed assets					
Investments	7		556,624		302,882
Current assets					
Debtors	8	17,807		260	
Cash at bank and in hand		109,512		284,943	
		<u>127,319</u>		<u>285,203</u>	
Creditors: amounts falling due within one year	9	<u>(10,715)</u>		<u>(35,965)</u>	
Net current assets			116,604		249,238
Total assets less current liabilities			<u>673,228</u>		<u>552,120</u>
Capital and reserves					
Called up share capital	10		1,970,081		1,970,081
Share premium account	11		12,618,693		12,618,693
Revaluation reserve	11		367,899		138,053
Profit and loss account	11		(14,283,445)		(14,174,707)
Shareholders' funds	12		<u>673,228</u>		<u>552,120</u>

Approved by the Board and authorised for issue on 3 December 2008

D J N Nabarro
Director

MATHENGINE PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	£	2008 £	£	2007 £
Net cash outflow from operating activities		(39,634)		(18,566)
Returns on investments and servicing of finance				
Interest received	6,948		4,690	
Interest paid	(39)		-	
	<hr/>		<hr/>	
Net cash inflow for returns on investments and servicing of finance		6,909		4,690
Taxation		(24,523)		(17,308)
Financial investment				
Payments to acquire investments	(120,245)		(268,920)	
Receipts from sales of investments	(1,160)		356,716	
	<hr/>		<hr/>	
Net cash inflow/(outflow) for capital expenditure		(121,405)		87,796
		<hr/>		<hr/>
Net cash inflow/(outflow) before management of liquid resources and financing		(178,653)		56,612
		<hr/>		<hr/>
Increase/(decrease) in cash in the year		(178,653)		56,612
		<hr/> <hr/>		<hr/> <hr/>

MATHENGINE PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

1	Reconciliation of operating loss to net cash outflow from operating activities	2008	2007
		£	£
	Operating loss	(36,087)	(23,469)
	Increase in debtors	(240)	(40)
	(Decrease)/Increase in creditors within one year	(3,307)	4,943
	Net cash outflow from operating activities	<u>(39,634)</u>	<u>(18,566)</u>

2	Analysis of net funds	1 July 2007	Cash flow	Other non-cash changes	30 June 2008
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	284,943	(175,431)	-	109,512
	Bank overdrafts	-	(3,222)	-	(3,222)
		<u>284,943</u>	<u>(178,653)</u>	<u>-</u>	<u>106,290</u>
	Bank deposits	-	-	-	-
	Net funds	<u>284,943</u>	<u>(178,653)</u>	<u>-</u>	<u>106,290</u>

3	Reconciliation of net cash flow to movement in net funds	2008	2007
		£	£
	(Decrease)/increase in cash in the year	(178,653)	56,612
	Movement in net funds in the year	<u>(178,653)</u>	<u>56,612</u>
	Opening net funds	284,943	228,331
	Closing net funds	<u>106,290</u>	<u>284,943</u>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

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.

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.

2 Operating loss

	2008	2007
	£	£
Operating loss is stated after charging:		
Loss on foreign exchange transactions	-	147
and after crediting:		
Profit on foreign exchange transactions	(3,021)	-
	<u> </u>	<u> </u>

Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	4,000	4,000
Accountancy & taxation	7,691	1,800
	<u> </u>	<u> </u>
	11,691	5,800
	<u> </u>	<u> </u>

3 Investment income

	2008	2007
	£	£
Income from fixed asset investments	(94,939)	132,918
Bank interest	1,583	709
Other interest	5,365	3,981
	<u> </u>	<u> </u>
	(87,991)	137,608
	<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

4	Amounts written off investments	2008 £	2007 £
	Amounts written off fixed asset investments:		
	- temporary diminution in value	2,924	(22,909)
		<u>2,924</u>	<u>(22,909)</u>
5	Interest payable	2008 £	2007 £
	On bank loans and overdrafts	4	-
	On overdue tax	35	-
		<u>39</u>	<u>-</u>
6	Taxation	2008 £	2007 £
	Domestic current year tax		
	U.K. corporation tax	(17,307)	25,177
	Adjustment for prior years	(642)	-
	Current tax charge	<u>(17,949)</u>	<u>25,177</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(127,041)	137,048
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.25% (2007 - 19.25%)	<u>(25,726)</u>	<u>26,382</u>
	Effects of:		
	Non deductible expenses	2,102	1,766
	Prior period losses utilised	(1,352)	-
	Losses carried forward	5,817	1,996
	Prior year adjustment	(642)	-
	Temporary diminution in value of investments	592	-
	Other tax adjustments	1,260	(4,967)
		<u>7,777</u>	<u>(1,205)</u>
	Current tax charge	<u>(17,949)</u>	<u>25,177</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

7 Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
Cost or valuation			
At 1 July 2007	180,574	122,309	302,883
Additions	117,475	2,769	120,244
Revaluation	185,127	45,073	230,200
Disposals	(93,779)	-	(93,779)
At 30 June 2008	389,397	170,151	559,548
Provisions for diminution in value			
At 1 July 2007	-	-	-
Charge for the year	2,924	-	2,924
At 30 June 2008	2,924	-	2,924
Net book value			
At 30 June 2008	386,473	170,151	556,624
At 30 June 2007	180,574	122,308	302,882

The original cost of the fixed asset investments was £191,649.

Not included in investments above are open positions in Sterling Ftse option trades which at 30 June 2008 amounted to an unrealised profit of £13,500.

8 Debtors

	2008 £	2007 £
Corporation tax	17,307	-
Prepayments and accrued income	500	260
	17,807	260

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

9	Creditors: amounts falling due within one year	2008	2007
		£	£
	Bank loans and overdrafts	3,222	-
	Corporation tax	-	25,165
	Accruals and deferred income	7,493	10,800
		<hr/>	<hr/>
		10,715	35,965
		<hr/> <hr/>	<hr/> <hr/>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

10 Share capital	2008	2007
	£	£
Authorised		
127,016,904 Ordinary shares of 1p each	1,270,169	1,270,169
172,983,096 Deferred shares of 1p each	1,729,831	1,729,831
	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, called up and fully paid		
24,024,980 Ordinary shares of 1p each	240,250	240,250
172,983,096 Deferred shares of 1p each	1,729,831	1,729,831
	<u>1,970,081</u>	<u>1,970,081</u>

During the year to 30 June 2006 the authorised share capital of the Company was reduced to £1,922,035 by the cancellation of 180,779,656 existing ordinary shares of 10 pence each. It was resolved that each of the existing ordinary issued 10 pence shares of Mathengine Plc were split into one ordinary share of 1 penny par value and nine deferred shares of 1 penny par value each.

An ordinary resolution was then passed increasing the authorised share capital of the Company from £1,922,035 to £3,000,000 by the creation of 107,796,560 additional ordinary shares of 1 penny each, such shares to rank pari passu in all respects with the existing issued ordinary shares in the capital of the Company.

The authorised share capital of the Company is now £3,000,000 divided into 127,016,904 ordinary shares of 1 penny each and 172,983,096 deferred shares of 1 penny each.

The Company issued 4,804,636 new ordinary 1 penny shares at a price of 1.4 pence per new ordinary share during the year to 30 June 2006.

Rights of the Deferred ordinary Shares

As regards income, the Deferred Shares shall carry no right to receive any dividend or other distribution.

As regards capital, on a return of capital in a liquidation, but not otherwise, the holders of the Deferred Shares shall be entitled to receive the nominal amount of their respective holdings of Deferred Shares but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such Ordinary Share together with a payment of £1,000,000 per Ordinary Share and the holders of the Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company.

As regards voting, the holders of the Deferred Shares shall have no right to receive share certificates in respect of their holdings of Deferred Shares or to receive notice of, or to attend, speak or vote at, any general meeting of the Company by virtue of their holdings of Deferred Shares.

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2008

11 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 July 2007	12,618,693	138,053	(14,174,707)
Loss for the year	-	-	(109,092)
Transfer from revaluation reserve to profit and loss account	-	(354)	354
Revaluation during the year	-	230,200	-
	<u>12,618,693</u>	<u>367,899</u>	<u>(14,283,445)</u>

12 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/Profit for the financial year	(109,092)	111,871
Other recognised gains and losses	230,200	138,053
	<u>121,108</u>	<u>249,924</u>
Net addition to shareholders' funds	121,108	249,924
Opening shareholders' funds	552,120	302,196
	<u>673,228</u>	<u>552,120</u>

13 Employees

Number of employees

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

14 Control

There is no controlling party.

15 Post balance sheet events

Since the Balance Sheet date the turbulence in the financial markets has caused the portfolio of investments to fall in value by £369,000 to a net asset value of £304,000. This is a non adjusting post balance sheet event and so has not been reflected in these Financial Statements.