

Company Registration No. 03334206 (England and Wales)

MATHENGINE PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

MATHENGINE PLC

COMPANY INFORMATION

Directors	D J N Nabarro K R Smith
Company secretary	K R Smith
Company number	03334206
Registered office	No 1 The Yard Burraton Square Poundbury Dorset United Kingdom DT1 3GR
Auditors	HW Sterling House 19/23 High Street Kidlington Oxon OX5 2DH
Business address	No 1 The Yard Burraton Square Poundbury Dorset United Kingdom DT1 3GR
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 2011

The directors present their report and financial statements for the year ended 30 June 2011.

Principal activities and review of the business

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

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

During the year to 30th June 2011, the value of the Company's assets after reserving for tax, increased to £867,819 as at 30th June 2011 from £430,028 at the 30th June 2010, a satisfying increase of some 101.8% over the period.

This performance compared to an increase in the FTSE All Share index over the same period of some 24.58%.

Your Company's investment portfolio remained heavily weighted towards the natural resources sector, but during the year, your Company also made investments in Ceravision, an industrial lighting company and DJI Holdings, a UK company managing lotteries in China.

Your Company has no debt and retains healthy cash balances in both Sterling and Australian Dollars.

Despite the turmoil in international financial markets, your Directors remain confident in the growth prospects for your Company's investments.

During the year we welcomed El Oro Ltd., the long-established and very successful investment company as a 15.17% shareholder in the Company.

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.

Results and dividends

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

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

Principal risks and 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 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.

Directors

The following directors have held office since 1 July 2010:

D J N Nabarro
K R Smith

MATHENGINE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

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 (2010- 0) days' purchases.

Auditors

In accordance with section 385 of the Companies Act 2006, a resolution proposing that HW 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.

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

15 October 2011

MATHENGINE PLC

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MATHENGINE PLC

We have audited the financial statements of MathEngine plc for the year ended 30 June 2011 set out on pages 5 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 - 2, 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 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.

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 2011 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.

MATHENGINE PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MATHENGINE PLC

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 HW

18 October 2011

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 2011

	Notes	2011 £	2010 £
Administrative expenses		(113,716)	(34,396)
Other operating income		-	381
		<hr/>	<hr/>
Operating loss	2	(113,716)	(34,015)
Investment income	3	222,705	12,889
Other interest receivable and similar income	3	3,874	884
Amounts written off investments	4	(64,385)	2,801
Interest payable and similar charges	5	-	(38)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		48,478	(17,479)
Tax on profit/(loss) on ordinary activities	6	(26,488)	1,689
		<hr/>	<hr/>
Profit/(loss) for the year	11	21,990	(15,790)
		<hr/> <hr/>	<hr/> <hr/>

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 2011

	Notes	2011 £	2010 £
Profit/(loss) for the financial year		21,990	(15,790)
Unrealised surplus on trade investment		332,778	67,228
Total recognised gains and losses relating to the year		<u>354,768</u>	<u>51,438</u>

MATHENGINE PLC

BALANCE SHEET

AS AT 30 JUNE 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Investments	7		770,946		346,770
Current assets					
Debtors	8	421		421	
Cash at bank and in hand		144,799		90,957	
		<u>145,220</u>		<u>91,378</u>	
Creditors: amounts falling due within one year	9	<u>(48,347)</u>		<u>(7,940)</u>	
Net current assets			<u>96,873</u>		<u>83,438</u>
Total assets less current liabilities			<u>867,819</u>		<u>430,208</u>
Capital and reserves					
Called up share capital	10	2,422,003		2,402,498	
Share premium account	11	12,249,614		12,186,276	
Revaluation reserve	11	422,683		130,755	
Profit and loss account	11	(14,226,481)		(14,289,321)	
Shareholders' funds	12		<u>867,819</u>		<u>430,208</u>

Approved by the Board and authorised for issue on 15 October 2011

D J N Nabarro
Director

Company Registration No. 03334206

MATHENGINE PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	£	2011 £	£	2010 £
Net cash outflow from operating activities		(99,116)		(34,206)
Returns on investments and servicing of finance				
Interest received	3,874		884	
Interest paid	-		(38)	
Dividends received	1,830		1,169	
	<hr/>		<hr/>	
Net cash inflow for returns on investments and servicing of finance		5,704		2,015
Taxation		(681)		(1,521)
Financial investment				
Payments to acquire investments	(331,384)		(86,763)	
Receipts from sales of investments	396,476		63,278	
	<hr/>		<hr/>	
Net cash inflow for capital expenditure		65,092		(23,485)
		<hr/>		<hr/>
Net cash inflow before management of liquid resources and financing		(29,001)		(57,197)
Management of liquid resources				
Margin deposits	29,000		9,000	
	<hr/>		<hr/>	
		29,000		9,000
Financing				
Issue of ordinary share capital	82,843		-	
	<hr/>		<hr/>	
Net cash inflow/(outflow) from financing		82,843		-
Increase in cash in the year		<u>82,842</u>		<u>(48,197)</u>

MATHENGINE PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

1	Reconciliation of operating loss to net cash outflow from operating activities		2011	2010	
			£	£	
	Operating loss		(113,716)	(34,015)	
	Increase in debtors		-	(421)	
	Increase in creditors within one year		14,600	230	
	Net cash outflow from operating activities		(99,116)	(34,206)	
2	Analysis of net funds	1 July 2010	Cash flow	Other non-cash changes	30 June 2011
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	61,957	82,842	-	144,799
	Liquid resources:				
	Margin deposits	29,000	(29,000)	-	-
	Net funds	90,957	53,842	-	144,799
3	Reconciliation of net cash flow to movement in net funds		2011	2010	
			£	£	
	Increase/(decrease) in cash in the year		82,842	(48,197)	
	Cash inflow from decrease in liquid resources		(29,000)	(9,000)	
	Movement in net funds in the year		53,842	(57,197)	
	Opening net funds		90,957	148,154	
	Closing net funds		144,799	90,957	

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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.

1.5 Liquid resources

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

2 Operating loss	2011	2010
	£	£
Operating loss is stated after charging:		
Loss on foreign exchange transactions	-	1,725
Fees payable to the company's auditor for the audit of the company's annual accounts	4,250	4,000
Accountancy & Taxtion and after crediting:	3,811	3,268
Profit on foreign exchange transactions	(7,290)	-
	<u> </u>	<u> </u>
3 Investment income	2011	2010
	£	£
Income from fixed asset investments	222,705	12,889
Bank interest	1,880	121
Other interest	1,994	763
	<u> </u>	<u> </u>
	<u>226,579</u>	<u>13,773</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

4	Amounts written off investments	2011	2010
		£	£
	Amounts written off fixed asset investments:		
	- temporary diminution in value	65,759	265
	Amounts written off investments in prior years written back:		
	- fixed assets	(1,374)	(3,066)
		<u>64,385</u>	<u>(2,801)</u>
5	Interest payable	2011	2010
		£	£
	On bank loans and overdrafts	-	38
		<u>-</u>	<u>38</u>
6	Taxation	2011	2010
		£	£
	Domestic current year tax		
	U.K. corporation tax	26,447	640
	Adjustment for prior years	41	(2,329)
	Total current tax	<u>26,488</u>	<u>(1,689)</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	<u>48,478</u>	<u>(17,479)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.75% (2010 - 21.00%)	<u>10,059</u>	<u>(3,671)</u>
	Effects of:		
	Non deductible expenses	2,747	2,309
	Prior period losses utilised	(5,880)	-
	Prior year adjustment	41	(2,329)
	Temporary diminution in value of investments	13,360	(588)
	Dividends and distributions received	(380)	(245)
	Other tax adjustments	6,541	2,835
		<u>16,429</u>	<u>1,982</u>
	Current tax charge for the year	<u>26,488</u>	<u>(1,689)</u>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

7 Fixed asset investments

	Listed investments £	Unlisted investments £	£
Cost or valuation			
At 1 July 2010	299,501	59,435	358,936
Additions	201,384	130,000	331,384
Revaluation	303,700	29,078	332,778
Disposals	(181,393)	-	(181,393)
At 30 June 2011	<u>623,192</u>	<u>218,513</u>	<u>841,705</u>
Provisions for diminution in value			
At 1 July 2010	12,166	-	12,166
On disposals	(5,792)	-	(5,792)
Charge for the year	52,644	11,741	64,385
At 30 June 2011	<u>59,018</u>	<u>11,741</u>	<u>70,759</u>
Net book value			
At 30 June 2011	<u>564,174</u>	<u>206,772</u>	<u>770,946</u>
At 30 June 2010	<u>287,335</u>	<u>59,435</u>	<u>346,770</u>
	Market value	Directors'	Total
	£	valuation	£
At 30 June 2011	<u>564,174</u>	<u>206,772</u>	<u>770,946</u>
At 30 June 2010	<u>287,335</u>	<u>59,435</u>	<u>346,770</u>

The original cost of the fixed asset investments was £419,021 (2010 - £228,180).

Not included in investments above are option positions which at 30 June 2011 amounted to an unrealised profit of £34,229.

8 Debtors	2011	2010
	£	£
Prepayments and accrued income	<u>421</u>	<u>421</u>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

9	Creditors: amounts falling due within one year	2011	2010
		£	£
	Corporation tax	26,447	640
	Accruals and deferred income	21,900	7,300
		<u>48,347</u>	<u>7,940</u>
		<u><u>48,347</u></u>	<u><u>7,940</u></u>
10	Share capital	2011	2010
		£	£
	Allotted, called up and fully paid		
	25,975,467 Ordinary shares of 1p each	259,755	240,250
	216,224,820 Deferred shares of 1p each	2,162,248	2,162,248
		<u>2,422,003</u>	<u>2,402,498</u>
		<u><u>2,422,003</u></u>	<u><u>2,402,498</u></u>

In March 2011, 1,201,249 new ordinary shares of 1p each were issued to El Oro Limited at 4.2p per share. Subsequently in June 2011 a further 749,238 new shares were issued to another 10 existing shareholders by way of a rights entitlement, also at 4.2p per share.

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 2011

11 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 July 2010	12,186,276	130,755	(14,289,321)
Profit for the year	-	-	21,990
Transfer from revaluation reserve to profit and loss account	-	(40,850)	40,850
Premium on shares issued during the year	63,338	-	-
Revaluation during the year	-	332,778	-
Balance at 30 June 2011	<u>12,249,614</u>	<u>422,683</u>	<u>(14,226,481)</u>

No tax has been provided in respect of the amounts allocated to the Revaluation Reserve.

12 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit/(Loss) for the financial year	21,990	(15,790)
Other recognised gains and losses	332,778	67,228
Proceeds from issue of shares	82,843	-
Net addition to shareholders' funds	<u>437,611</u>	<u>51,438</u>
Opening shareholders' funds	<u>430,208</u>	<u>378,770</u>
Closing shareholders' funds	<u>867,819</u>	<u>430,208</u>

13 Directors' remuneration

	2011 £	2010 £
Remuneration for qualifying services	<u>10,000</u>	<u>-</u>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

14 Employees

Number of employees

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

Employment costs

	2011	2010
	£	£
Wages and salaries	10,000	-

15 Control

There is no controlling party.

16 Related party relationships and transactions

During the year the company paid £60,515 of management charges to Cato Strategic Limited. Cato Strategic Limited is a company that is 60% owned by David Nabarro who is a director of Mathengine Plc.