

Company Registration No. 03334206 (England and Wales)

MATHENGINE PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

MATHENGINE PLC

COMPANY INFORMATION

Directors	D J N Nabarro K R Smith
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
Solicitors	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 2012

The directors present their report and financial statements for the year ended 30 June 2012.

Principal activities and review of the business

The Company's principal activity continues to be that of an investment company.

During the year to 30th June 2012, the value of the Company's assets after reserving for tax, increased to £910,546 from £867,819, a satisfying increase of some 5% over the period.

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 long-term growth prospects for your Company's investments.

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.

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

Future developments

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 2011:

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.

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.

MATHENGINE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

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

20 December 2012

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 2012 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 2012 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

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

3 January 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 2012

	Notes	2012 £	2011 £
Administrative expenses		(111,768)	(113,716)
Operating loss	2	(111,768)	(113,716)
Profit on sale of fixed asset investments		(7,345)	220,875
Loss on broker's insolvency		(10,749)	-
(Loss)/profit on ordinary activities before interest		(129,862)	107,159
Investment income	3	1,156	1,830
Other interest receivable and similar income	3	8,389	3,874
Amounts written off investments	4	(42,900)	(64,385)
(Loss)/profit on ordinary activities before taxation		(163,217)	48,478
Tax on (loss)/profit on ordinary activities	5	-	(26,488)
(Loss)/profit for the year	10	(163,217)	21,990

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 2012

	Notes	2012 £	2011 £
(Loss)/profit for the financial year		(163,217)	21,990
Unrealised surplus on trade investment		205,944	332,778
Total recognised gains and losses relating to the year		<u>42,727</u>	<u>354,768</u>

Note of historical cost profits and losses

	2012 £	2011 £
Reported (loss)/profit on ordinary activities before taxation	(163,217)	48,478
Realisation of property revaluation gains of previous years	20,073	-
Historical cost (loss)/profit on ordinary activities before taxation	<u>(143,144)</u>	<u>48,478</u>
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	<u>(143,144)</u>	<u>21,990</u>

MATHENGINE PLC

BALANCE SHEET

AS AT 30 JUNE 2012

	Notes	2012		2011	
		£	£	£	£
Fixed assets					
Investments	6		901,669		770,946
Current assets					
Debtors	7	580		421	
Cash at bank and in hand		21,297		144,799	
		<u>21,877</u>		<u>145,220</u>	
Creditors: amounts falling due within one year	8	<u>(13,000)</u>		<u>(48,347)</u>	
Net current assets			<u>8,877</u>		<u>96,873</u>
Total assets less current liabilities			<u>910,546</u>		<u>867,819</u>
Capital and reserves					
Called up share capital	9		2,422,003		2,422,003
Share premium account	10		12,249,614		12,249,614
Revaluation reserve	10		608,554		422,683
Profit and loss account	10		(14,369,625)		(14,226,481)
Shareholders' funds	11		<u>910,546</u>		<u>867,819</u>

Approved by the Board and authorised for issue on 20 December 2012

D J N Nabarro
Director

Company Registration No. 03334206

MATHENGINE PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	£	2012 £	£	2011 £
Net cash outflow from operating activities		(120,827)		(99,116)
Returns on investments and servicing of finance				
Interest received	9,545		3,874	
Dividends received	-		1,830	
	-----		-----	
Net cash inflow for returns on investments and servicing of finance		9,545		5,704
Taxation		(26,447)		(681)
Financial investment				
Payments to acquire investments	(70,371)		(331,384)	
Receipts from sales of investments	95,347		175,601	
Loss on broker's insolvency	(10,749)		-	
	-----		-----	
Net cash inflow for capital expenditure		14,227		(155,783)
		-----		-----
Net cash (outflow) before management of liquid resources and financing		(123,502)		(249,876)
Management of liquid resources				
Bank deposits		-		29,000
Financing				
Issue of ordinary share capital	-		82,843	
	-----		-----	
Net cash inflow from financing		-		82,843
		-----		-----
(Decrease)/increase in cash in the year		(123,502)		(138,033)
		=====		=====

MATHENGINE PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

1	Reconciliation of operating loss to net cash outflow from operating activities		2012	2011	
			£	£	
	Operating loss		(111,768)	(113,716)	
	Increase in debtors		(159)	-	
	(Decrease)/increase in creditors within one year		(8,900)	14,600	
			<u> </u>	<u> </u>	
	Net cash outflow from operating activities		(120,827)	(99,116)	
			<u> </u>	<u> </u>	
2	Analysis of net funds	1 July 2011	Cash flow	Other non-cash changes	30 June 2012
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	144,799	(123,502)	-	21,297
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Bank deposits	-	-	-	-
	Net funds	144,799	(123,502)	-	21,297
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
3	Reconciliation of net cash flow to movement in net funds		2012	2011	
			£	£	
	(Decrease)/increase in cash in the year		(123,502)	82,842	
	Cash outflow from increase in liquid resources		-	(29,000)	
			<u> </u>	<u> </u>	
	Movement in net funds in the year		(123,502)	53,842	
	Opening net funds		144,799	90,957	
			<u> </u>	<u> </u>	
	Closing net funds		21,297	144,799	
			<u> </u>	<u> </u>	

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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	2012 £	2011 £
Operating loss is stated after charging:		
Loss on foreign exchange transactions	5,458	-
and after crediting:		
Profit on foreign exchange transactions	-	(7,290)
	<u> </u>	<u> </u>

Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	4,500	4,250
Accountancy and taxation	4,318	3,811
	<u> </u>	<u> </u>
	8,818	8,061
	<u> </u>	<u> </u>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

3	Investment income	2012	2011
		£	£
	Income from fixed asset investments	1,156	1,830
	Bank interest	2,215	1,880
	Other interest	6,174	1,994
		<hr/>	<hr/>
		9,545	5,704
		<hr/> <hr/>	<hr/> <hr/>
4	Amounts written off investments	2012	2011
		£	£
	Amounts written off fixed asset investments:		
	- temporary diminution in value	54,641	65,759
	Amounts written off investments in prior years written back:		
	- fixed assets	(11,741)	(1,374)
		<hr/>	<hr/>
		42,900	64,385
		<hr/> <hr/>	<hr/> <hr/>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

5 Taxation	2012	2011
	£	£
Domestic current year tax		
U.K. corporation tax	-	26,447
Adjustment for prior years	-	41
	<hr/>	<hr/>
Total current tax	-	26,488
	<hr/>	<hr/>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(163,217)	48,478
	<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2011 - 20.75%)	(32,643)	10,059
	<hr/>	<hr/>
Effects of:		
Non deductible expenses	2,530	2,747
Prior period losses utilised	-	(5,880)
Losses carried forward	21,617	-
Prior year adjustment	-	41
Temporary diminution in value of investments	8,580	13,360
Dividends and distributions received	-	(380)
Other tax adjustments	(84)	6,541
	<hr/>	<hr/>
	32,643	16,429
	<hr/>	<hr/>
Current tax charge for the year	-	26,488
	<hr/>	<hr/>

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

6 Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
Cost or valuation			
At 1 July 2011	623,191	218,513	841,704
Additions	70,371	-	70,371
Revaluation	(151,027)	336,899	185,872
Disposals	(100,742)	-	(100,742)
At 30 June 2012	441,793	555,412	997,205
Provisions for diminution in value			
At 1 July 2011	59,018	11,741	70,759
On disposals	(18,123)	-	(18,123)
Charge for the year	54,641	(11,741)	42,900
At 30 June 2012	95,536	-	95,536
Net book value			
At 30 June 2012	346,257	555,412	901,669
At 30 June 2011	564,174	206,772	770,946
	Market value £	Directors' valuation £	Total £
At 30 June 2012	346,257	555,412	901,669
At 30 June 2011	564,174	206,772	770,946

The original cost of the fixed asset investments was £388,650 (2011 - £419,021).

Not included in investments above are option positions which at 30 June 2012 amounted to an unrealised profit of £22,369 (2011 - £34,229.)

7 Debtors	2012 £	2011 £
Prepayments and accrued income	580	421

MATHENGINE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

8 Creditors: amounts falling due within one year	2012	2011
	£	£
Corporation tax	-	26,447
Accruals and deferred income	13,000	21,900
	<u>13,000</u>	<u>48,347</u>

9 Share capital	2012	2011
	£	£
Allotted, called up and fully paid		
25,975,500 Ordinary shares of 1p each	259,755	259,755
216,224,800 Deferred shares of 1p each	2,162,248	2,162,248
	<u>2,422,003</u>	<u>2,422,003</u>

10 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 July 2011	12,249,614	422,683	(14,226,481)
Loss for the year	-	-	(163,217)
Transfer from revaluation reserve to profit and loss account	-	(20,073)	20,073
Revaluation during the year	-	205,944	-
	<u>12,249,614</u>	<u>608,554</u>	<u>(14,369,625)</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 2012

11 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
(Loss)/Profit for the financial year	(163,217)	21,990
Other recognised gains and losses	205,944	332,778
Proceeds from issue of shares	-	82,843
	<hr/>	<hr/>
Net addition to shareholders' funds	42,727	437,611
Opening shareholders' funds	867,819	430,208
	<hr/>	<hr/>
Closing shareholders' funds	<u>910,546</u>	<u>867,819</u>

12 Directors' remuneration	2012	2011
	£	£
Remuneration for qualifying services	-	10,000
	<hr/>	<hr/>

13 Employees

Number of employees

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

Employment costs

	2012	2011
	£	£
Wages and salaries	-	10,000
	<hr/>	<hr/>

14 Control

There is no controlling party.

15 Related party relationships and transactions

During the year the Company paid £61,887 (2011 - £60,515) in management charges to Cato Strategic Limited. Cato Strategic Limited is a company that is 60% owned by D J N Nabarro, who is a director of Mathengine Plc.

During the year ended 30 June 2012, the Company paid £8,000 (2011 - £nil) to Mrs A Nabarro, who is both a Company shareholder and the wife of D J N Nabarro. This sum, which was independently determined and approved, was paid for the provision of a stock loan.