

COMPANY NUMBER: 2357989

**FOCUSRITE AUDIO ENGINEERING  
LIMITED**

**ABBREVIATED ACCOUNTS FOR THE YEAR ENDED  
31 AUGUST 2004**



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**Report of the auditors to Focusrite Audio Engineering Limited pursuant to Section 247B of the Companies Act 1985.**

We have examined the abbreviated accounts set out on pages 3 to 8 together with the full financial statements of Focusrite Audio Engineering Limited for the period ended 31 August 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with section 247 B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in such a 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, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The company's directors are responsible for the preparation of the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those sections and to report our opinion to you.

**Basis of opinion**

We have carried out the procedures we consider necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

**Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts are properly prepared in accordance with those provisions.

*KPMG LLP*

**KPMG LLP**

*Chartered Accountants*

*Registered Auditor*

*Arlington Business Park*

*Theale*

*Reading*

*RG7 4SD*

*29 June 2005*

## Abbreviated Balance Sheet at 31 August 2004

Note		2004 £	2003 £
	<b>Fixed assets</b>		
2	Tangible assets	128,104	115,421
3	Investments	627,308	0
		<u>755,412</u>	<u>115,421</u>
	<b>Current assets</b>		
	Stock	406,648	434,121
	Debtors	953,980	989,122
	Cash at bank and in hand	723,073	862,940
		<u>2,083,521</u>	<u>2,286,183</u>
	<b>Creditors</b>		
	Amounts falling due within one year	(1,117,849)	(1,028,257)
		<u>965,672</u>	<u>1,257,926</u>
	<b>Net current assets</b>		
		<u>1,721,084</u>	<u>1,373,347</u>
	<b>Net assets</b>	<u>1,721,084</u>	<u>1,373,347</u>
	<b>Capital and reserves</b>		
4	Called up share capital	762,207	1,162,207
	Capital Redemption Reserve	400,000	0
	Share Premium	88,750	88,750
6	Profit and loss account	470,127	122,390
		<u>1,721,084</u>	<u>1,373,347</u>
5	<b>Shareholders' funds</b>		
	Analysed as:		
	Equity Interests	671,804	(264,552)
	Non Equity Interests	1,049,280	1,637,899
		<u>1,721,084</u>	<u>1,373,347</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board of directors on 22 June 2005 and signed on its behalf by:

S T Blackwood  
Director

**Notes to the Financial Statements for the year ending**

**31 August 2004**

**1 Accounting Policies**

**1.1 Basis of Accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

**1.2 Basis of preparation**

The company qualifies as a small company as defined by sections 246 to 249 of the Companies Act 1985 and is accordingly exempt from preparing a cash flow statement as required by Financial Reporting Standard No. 1.

The company is exempt by virtue of section 248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

**1.3 Depreciation**

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost of each asset over its expected useful life as follows:-

Plant, equipment & tooling	Over 2-4 years
Computer equipment	Over 2-4 years
Motor vehicles	Over 4 years
Fixtures & fittings	Over 5 years
Leasehold improvements	Over 10 years

**1.4 Stock and work in progress**

Stock is stated at the lower of cost, replacement cost and net realisable value.

**1.5 Leases**

Assets used by the company which have been funded by finance leases are capitalised and the resulting lease obligations are included in creditors net of finance charges. Operating lease rentals are charged to the profit and loss account in the period in which they fall due.

**1.6 Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

**1.7 Foreign Currencies**

Transactions during the period are translated at the rates of exchange in effect on the dates of the transaction. Translation differences are included in the results for the year. Foreign currency assets and liabilities are translated at the rate of exchange ruling at the Balance Sheet date.

**1.8 Pensions**

The company operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

**1.9 Research and development expenditure**

Expenditure on research and development is written off against profits in the year in which it is incurred.

**2 Tangible Assets**

	Total
	£
<b>Cost</b>	
1 September 2003	676,150
Additions	124,279
Disposals	(289,666)
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31 August 2004	510,763
	=====
<b>Depreciation</b>	
1 September 2003	560,729
Charge for the year	109,487
Disposals	(287,557)
	<hr/>
31 August 2004	382,659
	=====
<b>Net Book Value</b>	
31 August 2004	128,104
31 August 2003	115,421

**3 Investments**

<b>Shares</b>	<b>Shares in Group Undertakings</b>
	<b>£</b>
<b>Cost</b>	
At beginning of year	0
Additions	1
	<hr/>
At end of year	1
	<hr/>
	<b>Loans to Group Undertakings</b>
	<b>£</b>
<b>Cost</b>	
At beginning of year	0
Additions	627,307
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At end of year	627,307
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Focusrite Audio Engineering Ltd owns 100% of the ordinary share capital of Novation Digital Music Systems Ltd. Novation Digital Music Systems Ltd designs and sells musical instruments and was incorporated in England and Wales. Its aggregate share capital and reserves deficit at 31 August 2004 was £606,888 and its loss after tax for the two month period then ended was £606,889.

**4 Share Capital**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
<b>Equity</b>		
Ordinary shares of £1 each	100,000	100,000
<b>Non equity share capital</b>		
0% Red. Pref. Shares of £1 each	705,000	705,000
10% Cum. Pref. Shares of £1 each	400,000	400,000
	<hr/>	<hr/>
	1,205,000	1,205,000
	=====	=====

**4 Share Capital ( contd )****Allotted, called-up and fully-paid:****Equity**

Ordinary shares of £1 each	57,207	57,207
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**Non equity share capital**

0% Red. Pref. Shares of £1 each	305,000	705,000
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10% Cum. Pref. Shares of £1 each	400,000	400,000
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	762,207	1,162,207
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	=====	=====
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**5 Reconciliation of movements in Shareholders' Funds**

	2004	2003
	£	£
Profit for the financial year	347,737	171,419
Opening shareholders' funds	1,373,347	1,201,928
	1,721,084	1,373,347
	=====	=====

**6 Reserves**

	Called up share capital	Profit and loss account	Capital reserves	Total
	£	£	£	£
At 1 September 2003	1,162,207	122,390	88,750	1,373,347
Retained profit for the year	0	347,737	0	347,737
Redemption of preference Shares	(400,000)	0	400,000	0
At 31 August 2004	762,207	470,127	488,750	1,721,084
	=====	=====	=====	=====

**7 Capital Commitments**

There were no capital commitments authorised or contracted for as at 31 August 2004.

**8 Redemption of Preference Shares**

The Company may at any time redeem for cash at par the whole or any multiple of 10,000 of both classes of preference share by serving notice upon the holders specifying a date upon which redemption is to take place being not less than 14 days nor more than 30 days from the date of such notice. The Company shall redeem the whole of the Preference Shares for cash at par, immediately prior to a listing or a sale.

**9 Preference Dividends**

Dividends have accrued on the Redeemable Preference Shares but have not been charged to the Profit and Loss Account as there are not sufficient distributable reserves.

10% Cumulative Redeemable Preference Shares of £1 each	2004
	£
Amount in issue	400,000
Dividend for period	98,317
Dividends paid in period	286,936
Accrued Dividend at year end	344,281

**10 Directors' Transactions**

The business premises of the company at 19 Lincoln Road, Cressex, High Wycombe, Buckinghamshire, are owned by Mr. P S Dudderidge and City Trustees Limited and leased to the company at an annual rent of £57,500 (2003: £57,500).

**11 Pension Scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £47,203 (2003: £43,033). Amounts outstanding at the year end totalled £15,845 ( 2003: £12,673 ).