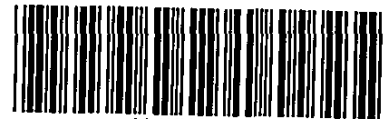


COMPANY NUMBER 2357989

**FOCUSRITE AUDIO ENGINEERING LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS  
YEAR ENDED 31 AUGUST 2012**

MONDAY



\*A1KKCWV7\*

A20

29/10/2012

#149

COMPANIES HOUSE

## **CONTENTS**

|                                                                                                              | <b>Page</b> |
|--------------------------------------------------------------------------------------------------------------|-------------|
| Directors' Report                                                                                            | 1-2         |
| Statement of Directors' Responsibilities in respect<br>of The Directors' Report and the Financial Statements | 3           |
| Independent Auditor's Report to The Members of Focusrite<br>Audio Engineering Limited                        | 4-5         |
| Profit and Loss Account                                                                                      | 6           |
| Balance Sheet                                                                                                | 7           |
| Cash Flow Statement                                                                                          | 8           |
| Notes to the Financial Statements                                                                            | 9-17        |

## **Directors' Report for the year ended 31 August 2012**

The Directors present their annual report and the audited financial statements for the year ended 31 August 2012

### **1 Principal activities**

The company continues to develop, manufacture and market professional audio and electronic music products and also licences its intellectual property

### **2 Business review and future developments**

Focusrite Audio Engineering Limited develops digital and analogue hardware and software products for the music and recording industry under the Focusrite and Novation brands and sells these products globally through a network of distributors. In the UK Focusrite also distributes some complementary third-party brands (loudspeakers, DJ products and software) to the retail channel

The Company's turnover in the period increased by 25% to £25.2m. EBITDA was £2,415,973 compared with £2,096,811 in the previous year whilst Company operating profit (before tax and dividends) was £2,149,246 compared with £1,904,660 in the previous year. Sales in the United States increased by over 50% in the year to over \$15m as a result of the increased sales to its US distributor and marketing management provided by the company's wholly owned subsidiary, Focusrite Novation Inc.

Company revenues are earned in US Dollars, Euros and Pounds. Manufacturing is conducted by third-party contract manufacturers in China and the Company's products are distributed globally through national distributors to specialist retailers. Manufacturing costs are predominantly in US Dollars providing a natural currency hedge.

Focusrite is one of the world's leading brands of audio interfaces with its Saffire and Scarlett ranges. These are used by musicians and recording engineers to connect Apple and PC computers (as recording media) to the analogue world, in other words providing inputs to and outputs from computers through high precision digital conversion processes and augmented with signal processing and mixing software.

Novation is one of the world's leading brands of MIDI controllers and Synthesizers. Launchpad is the most widely used controller for Ableton Live software and UltraNova has become one of the top three synthesizers in the market. The new Novation Impulse range of keyboard controllers looks set to become one of the top three keyboard controllers by revenue in the market.

In October 2011 Focusrite Audio Engineering Ltd achieved a top-three placing on the "Ones to Recognise" list in the Sunday Times TechTrack 100 survey of privately owned, fast growth, Technology (TMT) Companies as a result of achieving combined revenue growth of 124% over the last two years.

Focusrite was also recognised in the Sunday Times Best Companies to Work For 2012 Awards.

The company was a recipient of the 2012 Queen's Award for Enterprise, International Trade, in recognition of three years consistent growth of sales outside the UK.

### **Forward expectations**

The Board are confident that the business, which has no debt, will continue to grow strongly. This will be achieved by taking greater market share in the segments in which it already operates as well as moving into new sectors, with RedNet audio networking for recording, and post production studio, broadcast and live sound and audio interfaces for the iPad user who wishes to record music.

**Directors' Report (continued)**

**3 Dividends**

During the year dividends of £537,207 (2011 £nil) were paid in respect of Ordinary Shares

**4. Directors**

The Directors who served during the year were as follows

P S Dudderidge

J A Dudderidge

R D Jenkins

G Orford

D Hawley

M F Warriner

T J Dingley

C D W Smith

D Froker appointed on 27<sup>th</sup> March 2012

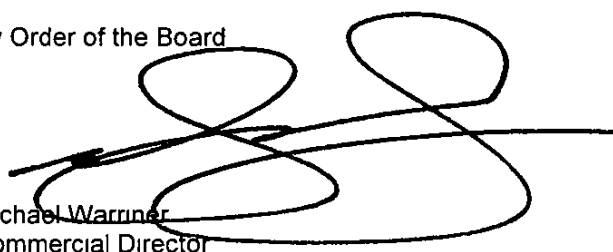
**5 Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

**6 Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By Order of the Board

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Michael Warriner  
Commercial Director

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and 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, and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## KPMG LLP

Arlington Business Park

Theale

Reading

RG7 4SD

United Kingdom

### **Independent auditor's report to the members of Focusrite Audio Engineering Limited**

We have audited the financial statements of Focusrite Audio Engineering Limited for the year ended 31 August 2012, set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 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 directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.

**Independent auditor's report to the members of Focusrite Audio Engineering Limited (continued)**

**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 received all the information and explanations we require for our audit



26/10/2012

**R A Stevenson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants & Registered Auditor  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

### Profit and loss account for the year ended 31 August 2012

| Note                                                 | 2012<br>£    | 2011<br>£    |
|------------------------------------------------------|--------------|--------------|
| 2    Turnover                                        | 25,270,078   | 20,188,130   |
| Cost of sales                                        | (15,632,078) | (11,981,189) |
|                                                      | <hr/>        | <hr/>        |
| Gross profit                                         | 9,638,000    | 8,206,941    |
| Administrative expenses                              | (7,555,194)  | (6,368,721)  |
| 6    Other operating income                          | 66,440       | 66,440       |
|                                                      | <hr/>        | <hr/>        |
| 3-5   Operating profit                               | 2,149,246    | 1,904,660    |
| 7    Interest receivable and similar income          | 134,718      | 2,979        |
| 8    Interest payable and similar charges            | -            | (27,793)     |
|                                                      | <hr/>        | <hr/>        |
| <b>Profit on ordinary activities before taxation</b> | 2,283,964    | 1,879,846    |
| 9    Tax on profit on ordinary activities            | (183,932)    | (281,994)    |
|                                                      | <hr/>        | <hr/>        |
| <b>Profit for the financial year</b>                 | 2,100,032    | 1,597,852    |
|                                                      | <hr/>        | <hr/>        |

There are no gains or losses other than those reported above and as a result no separate statement of total recognised gains and losses is presented

All turnover and operating results reported above are derived from continuing operations



*Focusrite Audio Engineering Limited*  
Company no 2357989

**Balance sheet at 31 August 2012**

| Note                                | 2012              |                   | 2011              |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | £                 | £                 | £                 | £                 |
| <b>Fixed assets</b>                 |                   |                   |                   |                   |
| 10 Tangible assets                  | 516,580           |                   | 547,394           |                   |
| 11 Intangible assets                | 477,444           |                   | 506,861           |                   |
| 12 Investments                      | 12,987            |                   | 12,987            |                   |
|                                     | <u>          </u> | 1,007,011         | <u>          </u> | 1,067,242         |
| <b>Current assets</b>               |                   |                   |                   |                   |
| 13 Stocks                           | 3,547,358         |                   | 2,700,452         |                   |
| 14 Debtors                          | 4,511,262         |                   | 3,312,976         |                   |
| Cash at bank and in hand            | 2,281,046         |                   | 2,443,514         |                   |
|                                     | <u>10,339,666</u> |                   | <u>8,456,942</u>  |                   |
| 15 <b>Creditors</b>                 |                   |                   |                   |                   |
| Amounts falling due within one year | (4,367,111)       |                   | (4,110,719)       |                   |
|                                     | <u>          </u> |                   | <u>          </u> |                   |
| <b>Net current assets</b>           |                   | 5,972,555         |                   | 4,346,223         |
| <b>Net assets</b>                   |                   | <u>6,979,566</u>  |                   | <u>5,413,465</u>  |
| <b>Capital and reserves</b>         |                   |                   |                   |                   |
| 16 Called Up Share Capital          |                   | 48,837            |                   | 48,477            |
| 19 Capital Redemption Reserve       |                   | 1,116,250         |                   | 1,116,250         |
| 19 Share Premium Reserve            |                   | 102,358           |                   | 99,442            |
| 19 Profit and Loss Account          |                   | 5,712,121         |                   | 4,149,296         |
|                                     |                   | <u>          </u> |                   | <u>          </u> |
| 18 Shareholders' funds              |                   | 6,979,566         |                   | 5,413,465         |
|                                     |                   | <u>          </u> |                   | <u>          </u> |

These financial statements were approved by the board of directors on 19 10.2012 and signed on its behalf by



Philip Dudderidge  
Director

### Cash flow statement for the year ended 31 August 2012

|                                                                                      | Note | 2012<br>£        | 2011<br>£        |
|--------------------------------------------------------------------------------------|------|------------------|------------------|
| <b>Reconciliation of operating profit to net cash flow from operating activities</b> |      |                  |                  |
| Operating profit                                                                     |      | 2,149,246        | 1,904,660        |
| Depreciation                                                                         |      | 400,074          | 282,139          |
| Amortisation                                                                         |      | 89,417           | 40,459           |
| Loss on sale of fixed assets                                                         |      | 416              | -                |
| Share capital adjustment                                                             |      | -                | (44)             |
| Share option charge                                                                  |      | -                | 93,510           |
| (Increase) in stocks                                                                 |      | (846,906)        | (880,961)        |
| (Increase) in debtors                                                                |      | (1,172,475)      | (778,449)        |
| Increase in creditors                                                                |      | 489,788          | 1,635,758        |
|                                                                                      |      | <u>1,109,560</u> | <u>2,297,072</u> |
| <b>Cash flow statement</b>                                                           |      |                  |                  |
| Cash flow from operating activities                                                  |      | 1,109,560        | 2,297,072        |
| Interest received                                                                    | 7    | 134,718          | 2,979            |
| Taxation paid                                                                        |      | (443,139)        | (197,419)        |
| Interest paid and similar charges                                                    | 8    | -                | (27,793)         |
| Capital expenditure                                                                  | 10   | (369,676)        | (478,367)        |
| Intangible asset acquired                                                            | 11   | (60,000)         | (100,000)        |
| Equity dividends paid                                                                |      | (537,207)        | -                |
| Issue of share capital                                                               |      | 3,276            | -                |
|                                                                                      |      | <u>(162,468)</u> | <u>1,496,472</u> |
| Increase in cash in the period                                                       |      | (162,468)        | 1,496,472        |
| <b>Reconciliation of net cash flow to movement in net funds</b>                      |      |                  |                  |
| Movement in net funds in the period                                                  |      | (162,468)        | 1,496,472        |
| Net funds at the start of the period                                                 |      | 2,443,514        | 947,042          |
| <b>Net funds at the end of the period</b>                                            | 24   | <u>2,281,046</u> | <u>2,443,514</u> |

**Notes to the financial statements for the year ended  
31 August 2012**

**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 consolidation**

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts on the grounds of materiality.

**1.3 Going concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**1.4 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 years   |
| Fixtures & fittings        | Over 5 years   |
| Leasehold improvements     | Over 5 years   |

**1.5 Intangible Assets**

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years.

Intellectual Property

Purchased intellectual property is amortised in equal instalments over two years.

**1.6 Stocks**

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

**1.7 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.

**1.8 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.

**Notes to the financial statements (continued)**

**1 Accounting policies (continued)**

**1.9 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.

**1.10 Pensions**

The company operates a stakeholder pension scheme.

**1.11 Research and development expenditure**

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

**1.12 Cash and liquid resources**

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

**2 Turnover**

Turnover represents the invoiced amount of goods and services excluding value added tax and is all derived from the principal activities of the company.

**3 Operating profit**

| Operating profit is stated after charging -        | 2012    | 2011    |
|----------------------------------------------------|---------|---------|
|                                                    | £       | £       |
| Depreciation of owned assets                       | 400,074 | 282,139 |
| Amortisation of goodwill and intellectual property | 89,416  | 40,459  |
| Auditor's remuneration                             |         |         |
| Audit of these financial statements                | 17,765  | 17,765  |
| Other services                                     | 5,925   | 500     |
| Amounts paid in respect of operating leases        | 132,888 | 132,888 |
| R & D Expenditure                                  | 465,300 | 365,142 |
|                                                    | <hr/>   | <hr/>   |

**4 Staff costs (including directors)**

|                       | 2012      | 2011      |
|-----------------------|-----------|-----------|
|                       | £         | £         |
| Wages and salaries    | 3,079,801 | 3,013,345 |
| Social security costs | 348,248   | 264,650   |
| Other pension costs   | 104,365   | 88,415    |
|                       | <hr/>     | <hr/>     |
|                       | 3,532,414 | 3,366,410 |
|                       | <hr/>     | <hr/>     |

The average number of employees during the year (excluding directors) was 69 (2011 54)

**Notes to the financial statements (continued)**

**5 Directors emoluments**

|                                  | <b>2012</b>      | <b>2011</b>    |
|----------------------------------|------------------|----------------|
|                                  | <b>£</b>         | <b>£</b>       |
| Management remuneration and fees | 977,413          | 696,718        |
| Pension contributions            | 35,450           | 26,277         |
| Benefits                         | 4,288            | 4,625          |
|                                  | <u>1,017,151</u> | <u>727,620</u> |

The aggregate of emoluments of the highest paid director was £168,000 (2011 £134,050)

**6 Other operating income**

|               | <b>2012</b> | <b>2011</b> |
|---------------|-------------|-------------|
|               | <b>£</b>    | <b>£</b>    |
| Rent received | 66,440      | 66,440      |

**7 Interest receivable and similar income**

|               | <b>2012</b>    | <b>2011</b>  |
|---------------|----------------|--------------|
|               | <b>£</b>       | <b>£</b>     |
| Exchange gain | 121,263        | -            |
| Bank interest | 13,455         | 2,979        |
|               | <u>134,718</u> | <u>2,979</u> |

**8 Interest payable and similar charges**

|               | <b>2012</b> | <b>2011</b>   |
|---------------|-------------|---------------|
|               | <b>£</b>    | <b>£</b>      |
| Bank interest | -           | 6             |
| Exchange loss | -           | 27,787        |
|               | <u>-</u>    | <u>27,793</u> |

**Notes to the financial statements (continued)****9 Taxation**

| <b>Analysis of charge in period</b>  | <b>2012</b> | <b>2011</b> |
|--------------------------------------|-------------|-------------|
|                                      | <b>£</b>    | <b>£</b>    |
| <b>UK corporation tax</b>            |             |             |
| Current tax on income for the period | 209,743     | 266,139     |
| Deferred tax                         | (25,811)    | 15,855      |
|                                      | <hr/>       | <hr/>       |
| Total tax charge for the period      | 183,932     | 281,994     |
|                                      | <hr/>       | <hr/>       |

Factors affecting the tax charge for the period

The current tax charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK 26%/24% (2011 28%/27%) The differences are explained below

**Current tax reconciliation**

|                                                      |           |           |
|------------------------------------------------------|-----------|-----------|
| Profit on ordinary activities before tax             | 2,283,964 | 1,879,846 |
|                                                      | <hr/>     | <hr/>     |
| Current tax at 26%/24% (2011 28%/27%)                | 574,798   | 510,692   |
| Expenses not deductible for tax purposes             | 5,087     | 29,956    |
| Depreciation greater (less)/ than capital allowances | 37,174    | (1,923)   |
| Amortisation                                         | 22,503    | 10,991    |
| Research and development credit                      | (429,819) | (283,577) |
|                                                      | <hr/>     | <hr/>     |
| Total current tax charge (see above)                 | 209,743   | 266,139   |
|                                                      | <hr/>     | <hr/>     |

**Notes to the financial statements (continued)**

**10 Tangible assets**

|                       | Plant, Tooling<br>Equipment &<br>Motor Vehicles | Fixtures,<br>fittings &<br>leasehold<br>improvements | Computer<br>equipment | Total     |
|-----------------------|-------------------------------------------------|------------------------------------------------------|-----------------------|-----------|
|                       | £                                               | £                                                    | £                     | £         |
| <b>Cost</b>           |                                                 |                                                      |                       |           |
| 1 September 2011      | 1,350,638                                       | 352,602                                              | 483,596               | 2,186,836 |
| Additions             | 259,154                                         | 18,474                                               | 92,048                | 369,676   |
| Disposals             | -                                               | -                                                    | (832)                 | (832)     |
| 31 August 2012        | 1,609,792                                       | 371,076                                              | 574,812               | 2,555,680 |
| <b>Depreciation</b>   |                                                 |                                                      |                       |           |
| 1 September 2011      | 977,520                                         | 255,528                                              | 406,394               | 1,639,442 |
| Charge for the year   | 256,109                                         | 57,358                                               | 86,607                | 400,074   |
| Disposals             | -                                               | -                                                    | (416)                 | (416)     |
| 31 August 2012        | 1,233,629                                       | 312,886                                              | 492,585               | 2,039,100 |
| <b>Net book value</b> |                                                 |                                                      |                       |           |
| 31 August 2012        | 376,163                                         | 58,190                                               | 82,227                | 516,580   |
| 31 August 2011        | 373,118                                         | 97,074                                               | 77,202                | 547,394   |

**11 Intangible fixed assets**

|                     | Goodwill | Intellectual<br>Property | Total    |
|---------------------|----------|--------------------------|----------|
|                     | £        | £                        | £        |
| 1 September 2011    | 419,361  | 87,500                   | 506,861  |
| Additions           | -        | 60,000                   | 60,000   |
| Charge for the Year | (27,958) | (61,459)                 | (89,417) |
| 31 August 2012      | 391,403  | 86,041                   | 477,444  |

**12 Investment in subsidiary**

The company has a wholly owned subsidiary, Focusrite Novation Inc, a company incorporated in Delaware in the USA where it provides marketing services to Focusrite. The investment of £12,987 represents the cost of the entire issued share capital in Focusrite Novation Inc.

*Focusrite Audio Engineering Limited*  
Company no 2357989

**Notes to the financial statements (continued)**

**13 Stocks**

|                | <b>2012</b>      | <b>2011</b>      |
|----------------|------------------|------------------|
|                | <b>£</b>         | <b>£</b>         |
| Raw materials  | 288,733          | 274,163          |
| Finished goods | 3,258,625        | 2,426,289        |
|                | <u>3,547,358</u> | <u>2,700,452</u> |

**14 Debtors**

|                                | <b>2012</b>      | <b>2011</b>      |
|--------------------------------|------------------|------------------|
|                                | <b>£</b>         | <b>£</b>         |
| Trade debtors                  | 4,300,983        | 3,074,992        |
| Deferred tax                   | 57,525           | 31,714           |
| Other debtors                  | 47,457           | 37,902           |
| Prepayments and accrued income | 105,297          | 168,368          |
|                                | <u>4,511,262</u> | <u>3,312,976</u> |

Included in other debtors is a loan of £30,000 due from The Travelling Band of which J Dudderidge the son of director P Dudderidge is a member. This loan is at arms length with interest being charged at market rate and is repayable by April 2013.

**15 Creditors: Amounts falling due within one year**

|                                       | <b>2012</b>      | <b>2011</b>      |
|---------------------------------------|------------------|------------------|
|                                       | <b>£</b>         | <b>£</b>         |
| Trade creditors                       | 3,024,273        | 2,759,840        |
| Other taxes and social security costs | 190,758          | 171,918          |
| Corporation tax                       | 40,110           | 273,506          |
| Amount owed to group undertaking      | 1,581            | 67,566           |
| Other creditors                       | 10,997           | 11,511           |
| Accruals and deferred income          | 1,099,392        | 826,378          |
|                                       | <u>4,367,111</u> | <u>4,110,719</u> |

**16 Share capital**

|                                            | <b>2012</b>   | <b>2011</b>   |
|--------------------------------------------|---------------|---------------|
|                                            | <b>£</b>      | <b>£</b>      |
| <b>Allotted, called-up and fully-paid:</b> |               |               |
| <b>Equity</b>                              |               |               |
| Ordinary shares of £1 each                 | <u>48,837</u> | <u>48,477</u> |

During the year 360 Ordinary Shares of £1 each were issued for £3,276 cash



**Notes to the financial statements (continued)**

**17 Operating lease commitments**

The company is committed to making annual payments in respect of operating leases

|                                                       | <b>2012</b> | <b>2011</b> |
|-------------------------------------------------------|-------------|-------------|
|                                                       | <b>£</b>    | <b>£</b>    |
| Land and buildings lease which expires within 5 years | 166,100     | 166,100     |

**18 Reconciliation of movements in shareholders' funds**

|                                     | <b>2012</b> | <b>2011</b> |
|-------------------------------------|-------------|-------------|
|                                     | <b>£</b>    | <b>£</b>    |
| Profit for the financial year       | 2,100,032   | 1,597,852   |
| Ordinary share issue                | 360         | -           |
| Share premium                       | 2,916       | -           |
| Dividends paid                      | (537,207)   | -           |
| Share capital adjustment            | -           | (44)        |
| Share option credit                 | -           | 93,510      |
| Net addition to shareholders' funds | 1,566,101   | 1,691,318   |
| Opening shareholders' funds         | 5,413,465   | 3,722,147   |
| Closing shareholders' funds         | 6,979,566   | 5,413,465   |

**19 Share capital and reserves**

|                               | Called up<br>share<br>capital | Profit and<br>loss<br>account | Share<br>premium | Capital<br>redemption<br>reserve | Total     |
|-------------------------------|-------------------------------|-------------------------------|------------------|----------------------------------|-----------|
|                               | £                             | £                             | £                | £                                | £         |
| At 1 September 2011           | 48,477                        | 4,149,296                     | 99,442           | 1,116,250                        | 5,413,465 |
| Ordinary shares issued        | 360                           | -                             | 2,916            | -                                | 3,276     |
| Dividends                     | -                             | (537,207)                     | -                | -                                | (537,207) |
| Profit for the financial year | -                             | 2,100,032                     | -                | -                                | 2,100,032 |
| At 31 August 2012             | 48,837                        | 5,712,121                     | 102,358          | 1,116,250                        | 6,979,566 |

**Notes to the financial statements (continued)**

**20 Capital commitments**

There were no capital commitments authorised or contracted for as at 31 August 2012

**21 Dividends**

|                | <b>2012</b> | <b>2011</b> |
|----------------|-------------|-------------|
|                | <b>£</b>    | <b>£</b>    |
| Dividends paid | 537,207     | -           |

**22 Pension scheme**

The company operates a stakeholder pension scheme. The pension charge for the period represents contributions payable by the company to the fund and amounted to £104,365 (2011 £88,415)

**23 Deferred tax asset**

|                           | <b>£</b>      |
|---------------------------|---------------|
| At beginning of the year  | 31,714        |
| Increase in the year      | 25,811        |
| <b>At end of the year</b> | <b>57,525</b> |

The amounts provided for deferred taxation and the amounts not provided are set out below

|                                                                    | <b>2012</b>     |                   | <b>2011</b>     |                   |
|--------------------------------------------------------------------|-----------------|-------------------|-----------------|-------------------|
|                                                                    | <b>Provided</b> | <b>Unprovided</b> | <b>Provided</b> | <b>Unprovided</b> |
|                                                                    | <b>£</b>        | <b>£</b>          | <b>£</b>        | <b>£</b>          |
| Difference between accumulated depreciation and capital allowances | 57,525          | -                 | 31,714          | -                 |

**24 Analysis of net funds**

|                          | <b>At beginning of year</b> | <b>Cash flow</b> | <b>At end of year</b> |
|--------------------------|-----------------------------|------------------|-----------------------|
|                          | <b>£</b>                    | <b>£</b>         | <b>£</b>              |
| Cash at bank and in hand | 2,443,514                   | (162,468)        | 2,281,046             |

**Notes to the financial statements (continued)**

**25 Share Option Scheme**

The company has an established Enterprise Management Incentive (EMI), under which 11,219 share options were outstanding at the beginning of the period

The options can be exercised from the date of grant and until the 10<sup>th</sup> anniversary of the date of grant. The directors estimate that the options are most likely to be exercised approximately eight years after the date of grant.

The following options have been issued under the EMI

| <b>Year ended 31<sup>st</sup> August 2011</b> | <b>Number</b> | <b>Total weighted average exercise price</b> |
|-----------------------------------------------|---------------|----------------------------------------------|
| Outstanding at the beginning of the period    | 11,219        | £37,78                                       |
| Granted during the period                     | -             | -                                            |
| Forfeited during the period                   | 603           |                                              |
| Exercised during the period                   | 360           |                                              |
| Expired during the period                     | -             |                                              |
| Outstanding at the end of the period          | 10,256        | £37.78                                       |
| Exercisable at the end of the period          | 10,256        | £37.78                                       |

No options were granted in the year to 31<sup>st</sup> August 2012

The total estimated value of the above options which had not been expensed at 31<sup>st</sup> August 2012 was £nil (2011 £93,510)