

FOCUSRITE AUDIO ENGINEERING LIMITED
CN 2357989

ABBREVIATED FINANCIAL STATEMENTS FOR THE
YEAR TO 31 AUGUST, 1998



FOCUSRITE AUDIO ENGINEERING LIMITED
AUDITORS REPORT TO THE DIRECTORS
PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

Report of the auditors to the members of 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 7 together with the financial statements of Focusrite Audio Engineering Limited prepared under section 226 of the Companies Act 1985 for the year ended 31st August 1998.

Respective responsibilities of directors and auditors

The directors are responsible for preparing 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 provisions and report our opinion to you.

Basis of opinion

We have carried out the procedures we considered 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 from those financial statements. 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 in accordance with section 246(5) and (6) of the Companies Act 1985 and the abbreviated accounts are properly prepared in accordance with those provisions.

KPMG

KPMG
Chartered Accountants
Registered Auditors

6 April 1999

FOCUSRITE AUDIO ENGINEERING LIMITED
ABBREVIATED BALANCE SHEET AT 31 AUGUST 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	2	148,458	133,400
		<hr/>	<hr/>
CURRENT ASSETS			
Stock and work in progress		271,802	336,468
Debtors		472,511	349,134
Cash		5	50
		<hr/>	<hr/>
		744,318	685,652
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3	(801,214)	(595,794)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES) / ASSETS		(56,896)	89,858
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		91,562	223,258
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	4	(110,503)	(183,417)
		<hr/>	<hr/>
NET (LIABILITIES) / ASSETS		(18,941)	39,841
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	5	1,161,250	1,150,000
Share Premium		88,750	-
Profit and loss account	7	(1,268,941)	(1,110,159)
		<hr/>	<hr/>
		(18,941)	39,841
		<hr/>	<hr/>
SHAREHOLDERS FUNDS	6		
Analysed as :			
Equity Interests		(1,567,956)	(1,434,084)
Non Equity Interests		1,549,015	1,473,925
		<hr/>	<hr/>
		(18,941)	39,841
		<hr/>	<hr/>

The directors have taken advantage of the exemptions conferred by Section A of Part III of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a small company.

Approved by the board of directors on 1/4/99 and signed on its behalf by:
P.S.Dudderidge

Director

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FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards.

(b) Turnover

Turnover represents the value of work invoiced during the period excluding value added tax and long-term contract work-in-progress where the amount taken as turnover is attributable to the amount of work carried out to date.

(c) Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost or net realisable value. Cost, where appropriate, includes expenses incidental to acquisition, direct production and engineering costs and attributable overheads. Provision is made for future losses as soon as they are foreseen.

(d) Depreciation

Depreciation is provided at the following annual rates to write off the fixed assets over their expected useful lives:

Plant and machinery	25% on cost
Fixtures, fittings etc.	20% on cost
Computer equipment	25% on cost
Motor vehicles	25% on cost
Leasehold Improvements	10% on cost

(e) Research and development expenditure

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

(f) Operating lease contracts

Expenditure on operating lease contracts is charged to the profit and loss account as incurred over the lease period.

(g) 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 & liabilities are translated at the rate of exchange ruling at the Balance Sheet date.

(h) Cash Flow Statement

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.

FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TANGIBLE FIXED ASSETS

	Motor Vehicles & Plant and machinery £	Fixtures, fittings, tools and equipment £	Computer equipment £	Leasehold improvements £	Total £
Cost: @ 31st August 1997	140,098	26,840	110,763	27,500	305,201
Additions	49,902	1,914	199	13,245	65,260
At 31st August, 1998	190,000	28,754	110,962	40,745	370,461
Depreciation: @ 31st August 1997	84,638	18,947	66,841	1,375	171,801
Charged in period	28,087	2,492	16,096	3,527	50,202
At 31st August, 1998	112,725	21,439	82,937	4,902	222,003
Net book value:					
At 31st August, 1998	77,275	7,315	28,025	35,843	148,458
At 31st August, 1997	55,460	7,893	43,922	26,125	133,400

Included in the total net book value of motor vehicles is £30,620 (1997 £16813) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £10,993 (1997:£6224).

3. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank loans and overdrafts	139,923	92,780
Hire Purchase creditor	10,197	6,265
Trade creditors	384,584	349,533
Other creditors including taxation and social security	227,906	123,251
Accruals and deferred income	38,604	23,965
	<u>801,214</u>	<u>595,794</u>

The bank overdraft was secured by a fixed and floating charge on the assets of the company and a personal guarantee limited to £125,000 from Mr P S Dudderidge. The charge on the property has been released since the year end.

4. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Bank loans and overdrafts	29,383	109,866
Director's loan	69,960	70,796
Hire purchase creditor	11,160	2,755
	<u>110,503</u>	<u>183,417</u>

FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SHARE CAPITAL

	1998 £	1997 £
Authorised:		
Equity share capital -		
Ordinary Shares of £1 each	100,000	50,000
Non-equity share capital -		
0% Redeemable Preference Shares of £1 each	705,000	705,000
10% Cumulative Redeemable Preference Shares of £1 each	400,000	400,000
	<u>1,205,000</u>	<u>1,155,000</u>
Issued and fully paid up:		
Equity share capital -		
Ordinary Shares of £1 each	56,250	45,000
Non-equity share capital -		
0% Redeemable Preference Shares of £1 each	705,000	705,000
10% Cumulative Redeemable Preference Shares of £1 each	400,000	400,000
	<u>1,161,250</u>	<u>1,150,000</u>

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	(158,782)	65,084
New Share Capital Subscribed	100,000	-
Opening shareholders' funds	<u>39,841</u>	<u>(25,243)</u>
Closing shareholders' funds	<u>(18,941)</u>	<u>39,841</u>

7. RESERVES

	Called up Share Capital £	Profit & Loss Account £	Share Premium £	Total £
At 1 September 1997	1,150,000	(1,110,159)		39,841
Share Issues	11,250		88,750	100,000
Loss for the year		(158,782)		(158,782)
At 31 August 1998	<u>1,161,250</u>	<u>(1,268,941)</u>	<u>88,750</u>	<u>(18,941)</u>

The arrears of £75,090 on the preference shares have been included within non-equity interests on the balance sheet together with prior period arrears of £368,926.

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.

At 31st August 1998 arrears of cumulative preference shares due for redemption amounted to £400,000. These shares have not been redeemed because the company has insufficient distributable reserves.

FOCUSRITE AUDIO ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

	1998 £	1997 £
10% Cumulative Redeemable Preference Shares of £1 each		
Amount in issue	400,000	400,000
Dividend for period	75,090	68,263
Accrued Dividend at year end	444,016	368,926

10. COMMITMENTS

The company has annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Operating leases which expire within 1 year	8,796	-
Operating leases which expire in 2 to 5 years	-	7,916