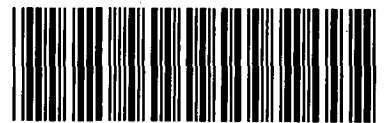


*Focusrite Audio Engineering Limited*  
*Company No 2357989*

## **FOCUSRITE AUDIO ENGINEERING LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2014**

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## **Strategic Report for the year ended 31 August 2014**

The directors present their annual report and the audited financial statements for the year ended 31 August 2014.

### **Principal Activities**

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

### **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 U.K. Focusrite also distributes some complementary third-party brands (loudspeakers and DJ products) to the retail channel.

The Company's turnover in the period increased by 14% to £41.0m. The Company's headline operating profit (before exceptional costs, interest, tax and dividends) was £5.9m compared with £4.9m in the previous year.

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 MiniNova has become one of the top two synthesizers in the market.

The Company was accredited as a 3 Star (the highest accreditation) Company to work for by The Sunday Times Best Companies 2014 adding to its 3 Star accreditations for 2012 and 2013. Focusrite also was listed as the 71st Best Company to Work For in the Sunday Times List 2014.

### **Principal Risks and Uncertainties**

The Company is required to give a description of the principal risks and uncertainties that it faces. The principal risks and uncertainties are detailed below. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Other risks may arise of which the Board is not currently aware or which it deems immaterial.

**Strategic Report for the year ended 31 August 2014 (continued)**

**Poor Global Economic Activity**

The Company operates in the global economy and ultimately within a retail environment to consumer end user musicians, such operations are influenced by global and national economic activities. The Company is focused on producing relevant future facing products that meet specific use cases and historically this has created strong growth to both revenues and profit, The Company has also focused on achieving operational efficiencies and working to manage its supply chain costs.

**Credit Risk**

The Company has exposure to trading partners in its sales channel. These debts are managed via insurance and customer credit limits.

There is pro-active management of exposures in the operating business through credit risk management policies and the credit team works closely with the Company's credit insurer to manage limits and risk. The credit insurance typically covers 90% of the debts for each customer. In the rare cases where the insurance Company is unwilling to insure a particular debt, there is a process by which the sales director and finance director consider where to give a discretionary additional credit limit.

At the year end, the total uninsured debt was less than 10% of total debtors and bad debts are less than 0.2% of revenue.

**Currency Risks**

The Company's activities are conducted primarily in USD, GBP and EUR. The Company's functional and reporting currency is GBP. There is a natural hedge for USD transactions in as much as the Company uses its generation of USD to buy in USD completed product from its contract manufacturers resulting in low levels of USD transactional risk exposure. The principal foreign exchange risks to which the financial statements are exposed relate to adverse declines in value of EUR as against USD and GBP.

The Company mitigates the exposure by entering into medium term horizon forward extra FX hedging contracts for the conversion of EUR to USD and GBP.

**Contractual Risk**

The Company has entered into key contracts which are crucial to its ongoing success. These contracts may be with a key supplier, customer or partner. Each contract has its own unique risk profile. The Company has exposure to the failure of contract performance by its contractual counterparties and termination of those contract

**Strategic Report for the year ended 31 August 2014 (continued)**

The Company manages this risk through the careful drafting of contracts in conjunction with legal experts. The Company ensures that it has a clear understanding of the risks, relative to the success

The most significant contracts are with customers or suppliers with which the Company has had a long term relationship and the Group has contingency arrangements should any of these contracts be ended.

**Regulatory/Legislative/Market Risks**

As an international business, the Company operates in several countries with differing economic, social, legal and political conditions with diversified markets. The Company's financial performance may be negatively impacted by, changes in regulatory requirements, changes in tax law or practice, unfavourable swings in commodity or raw material prices.

The Company manages these risks through timely management response to unfavourable occurrences and working inter-alia with UK Trade & Investment in the various jurisdictions in which it does business.

**Technology Risk**

The day to day performance of the Company is impacted by the choice, deployment and subsequent development of key operating technologies including the Company's Enterprise Resource Planning system. The Company must maintain, develop and avoid interruption to its key information technology systems and adequately protect customer and other key data.

A rigorous technology selection and investment process and strong IT security help to mitigate this risk.

**Health & Safety, Environmental Risks**

The Company is subject to stringent environmental, health and safety laws and regulations. Non-compliance may result in the imposition of fines and/or sanctions. These laws and regulations, coupled with the safety of all employees and end-users of the Company's products, are of paramount importance to the Company.

There is comprehensive training for all employees, continuous testing and compliance reporting through appropriate channels to ensure that the Company meets and exceeds its obligations in these matters.

**Insurance Risk**

The Company carries appropriate levels of insurance for its business risks with various insurance companies.

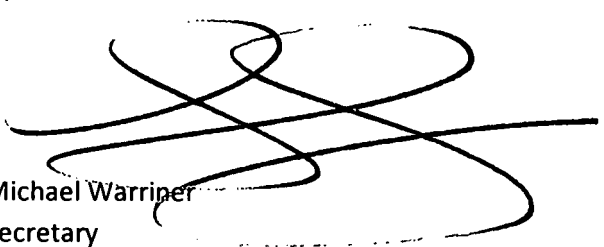
**Strategic Report for the year ended 31 August 2014 (continued)**

**Key performance Indicators**

In addition to reviewing individual Company business performance against annual budgets and quarterly reforecasts and monitoring cash flow management, the Board pays particular attention to identifying and monitoring Key Performance Indicators (KPIs). The principal KPIs monitored by the Board include:

- EBITDA
- Inventory levels
- Employee engagement (eNPS)
- US product ranking by units sold at point of sale as measured by MI SalesTrak

By Order of the Board

  
Michael Warriner  
Secretary

26/11/14

## **Directors' Report for the year ended 31 August 2014**

### **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 G Warriner  
T J Dingley  
D Froker  
P Wagner

### **Dividends**

During the year the directors assessed the appropriateness of the Company declaring a dividend and recommended that a dividend of £4,244,319 should be paid. Consequently dividends of £4,244,319 (2013: £1,025,577) were paid in respect of Ordinary Shares during the financial year in which this report relates.

### **Directors' interests and indemnity arrangements**

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than an indemnity provision between each director and the Company and employment contracts between each executive director and the Company. The Company has purchased and maintained throughout the year, directors' and officers' liability insurance in respect of itself and its directors.

#### **Financial instruments**

The Company uses financial instruments to manage certain types of risks, including those relating to credit, foreign currency exchange.

### **Future Business Developments**

The Company continues to consider inorganic growth opportunities as they arise. Currently the Company is investigating a number of opportunities and has entered into non-disclosure agreements so that it can more fully assess the merits of the opportunities.

Software continues to be an area of significant interest to the Company and its new Apple iOS based video and audio software named Impact has joined the Company's stable of music performance and recording software. The Company has established a dedicated team that is responsible for the Company's software strategy and revenue opportunities.

## **Research & Development**

The Company continues to invest in its research and development activities. The Company's strong track record of growth is highly correlated to the number of new products introduced to the market. Approximately a quarter of the Company's overheads are dedicated to research and development activities. The Company expects to increase new product introductions in 2015. Software is a focus for the Product Development Director who is also responsible for the Company's research and development activities and 2015 will see further development in the area of software with the Company building on the successes of its software release of 2013 and 2014.

## **Health and safety**

The Company is committed to providing a safe and healthy working environment for all staff, and contractors. The Company's health and safety standard sets out the range of policies, procedures and systems required to manage risks and promote wellbeing. The Commercial Director has overall accountability for health and safety across the organisation.

## **Events after the reporting period**

On 18 September 2014 the Company created an Employee Share Scheme and offered its employees options over 5,485,097 ordinary shares 4,564,788 of these options are qualifying under the HMRC Enterprise Management Incentive scheme.

On 9 September 2014 the Company appointed Jeremy Wilson as its Financial Director.

## **Disclosure of information to auditor**

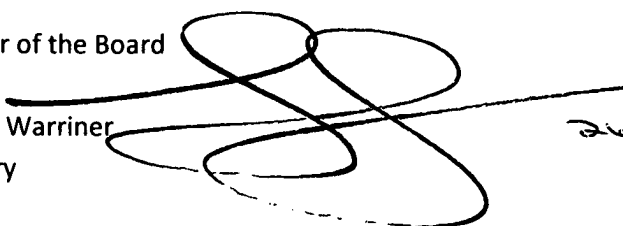
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

## **Auditors**

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

By Order of the Board

Michael Warriner  
Secretary



26/11/14



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

The directors are responsible for preparing the Strategic Report, 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 2014, set out on pages 10 to 21. 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 7, 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 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 Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

#### **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 2014 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**

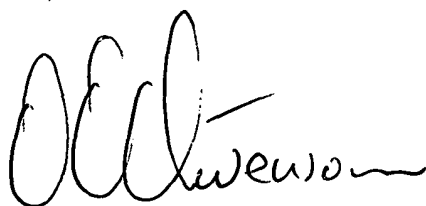
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.

 28/11/2014

**Andrew 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 2014**

Note		2014 £	2013 £
2	Turnover	40,965,487	36,078,236
	Cost of sales	(25,158,503)	(21,856,881)
	Gross profit	15,806,984	14,221,355
	Administrative expenses	(10,641,754)	(9,378,418)
6	Other operating income	14,666	54,619
	Operating profit before exceptional legal, professional and pension costs	5,901,867	4,897,556
3	Exceptional legal, professional and pension costs	(721,971)	-
3-5	<b>Operating profit</b>	5,179,896	4,897,556
7	Interest receivable and similar income	58,692	14,323
8	Interest payable and similar charges	(85,757)	(2,312)
	<b>Profit on ordinary activities before taxation</b>	5,152,831	4,909,567
9	Tax on profit on ordinary activities	(650,864)	(602,115)
	<b>Profit for the financial year</b>	4,501,967	4,307,452

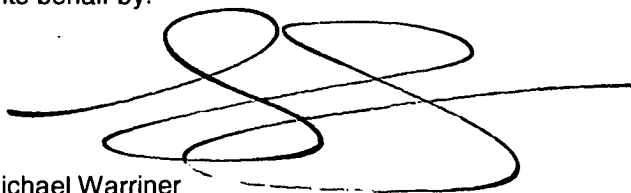
There are no gains or losses other than those reported above and as a result no separate statement of total recognised gains and losses is presented.

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

**Balance sheet at 31 August 2014**

Note	2014 £	2014 £	2013 £	2013 £
	<b>Fixed assets</b>			
10	Tangible assets	924,996	568,011	
11	Intangible assets	383,862	397,258	
12	Investments	12,987	12,987	
		1,321,845		978,256
	<b>Current assets</b>			
13	Stocks	6,578,123	6,871,672	
14	Debtors	6,215,385	7,674,579	
	Cash at bank and in hand	3,735,688	1,492,966	
		16,529,196	16,039,217	
15	<b>Creditors</b>			
	Amounts falling due within one year	(7,052,117)	(6,722,001)	
	<b>Net current assets</b>	9,477,079		9,317,216
	<b>Net assets</b>	10,798,924		10,295,472
	<b>Capital and reserves</b>			
16	Called Up Share Capital	52,399	48,837	
19	Capital Redemption Reserve	1,116,250	1,116,250	
19	Share Premium Reserve	332,122	102,358	
19	Profit and Loss Account	9,298,153	9,028,027	
18	Shareholders' funds	10,798,924		10,295,472

These financial statements were approved by the board of directors on 26/11/14 and signed on its behalf by:



Michael Warriner  
Director

**Cash flow statement for the year ended 31 August 2014**

	Note	2014 £	2013 £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		5,179,896	4,897,556
Depreciation		407,828	489,607
Amortisation		36,018	80,186
(Gain)/loss on sale of fixed assets		(100,000)	2,530
Share option charge		12,478	34,031
Decrease/(Increase) in stocks		293,549	(3,324,314)
Decrease/(Increase) in debtors		1,392,904	(3,120,946)
Increase in creditors		540,542	1,991,601
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<b>7,763,215</b>	<b>1,050,251</b>
		<hr/>	<hr/>
<b>Cash flow statement</b>			
Cash flow from operating activities		7,763,215	1,050,251
Interest received	7	58,692	14,323
Taxation paid		(795,000)	(281,197)
Interest paid and similar charges	8	(85,757)	(2,312)
Proceeds on sale of assets		100,000	-
Capital expenditure	10	(764,813)	(543,568)
Intangible asset acquired	11	(22,622)	-
Equity dividends paid		(4,244,319)	(1,025,577)
Issue of share capital		233,326	-
		<hr/>	<hr/>
Increase/(decrease) in cash in the period		2,242,722	(788,080)
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Movement in net funds in the period		2,242,722	(788,080)
Net funds at the start of the period		1,492,966	2,281,046
		<hr/>	<hr/>
<b>Net funds at the end of the period</b>	24	<b>3,735,688</b>	<b>1,492,966</b>
		<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 August 2014

### 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 3-5 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:-

	2014 £	2013 £
Depreciation of owned assets	407,828	489,607
Amortisation of goodwill and intellectual property	36,018	80,186
Auditors Remuneration:		
Audit of these financial statements	19,500	18,000
Other services	223,648	5,381
Amounts paid in respect of operating leases	129,720	123,653
R & D Expenditure	487,287	548,674
Exceptional legal and professional costs	551,971	-
Exceptional pension costs	170,000	-
	<hr/>	<hr/>

**4 Staff costs (including directors)**

	2014 £	2013 £
Wages and salaries	4,758,479	3,821,616
Social security costs	544,848	494,058
Other pension costs	353,267	98,324
	<hr/>	<hr/>
	5,656,594	4,413,998
	<hr/>	<hr/>

The average number of employees during the year (excluding directors) was 102 (2013: 84).



**Notes to the financial statements (continued)****5 Directors emoluments**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Management remuneration and fees	1,441,851	1,335,579
Pension contributions	228,235	28,167
Benefits	8,280	6,058
	<u>1,678,366</u>	<u>1,369,804</u>

The aggregate emoluments of the highest paid director was £340,000 (2013: £185,240).

**6 Other operating income**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Rent received	14,666	54,619
	<u>14,666</u>	<u>54,619</u>

**7 Interest receivable and similar income**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Exchange gain	-	12,354
Bank interest	58,692	1,969
	<u>58,692</u>	<u>14,323</u>

**8 Interest payable and similar charges**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Exchange Loss	85,757	-
Bank interest	-	2,312
	<u>85,757</u>	<u>2,312</u>

**Notes to the financial statements (continued)****9 Taxation****Analysis of charge in period**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
UK corporation tax		
Current tax on income for the period	584,574	644,486
Deferred tax	66,290	(42,371)
	<hr/>	<hr/>
Total tax charge for the period	650,864	602,115
	<hr/>	<hr/>

**Factors affecting the tax charge for the period**

The current tax charge for the period is lower (2013: lower) than the standard rate of corporation tax in the UK 23%/21% (2013 24%/23%). The differences are explained below.

<b>Current tax reconciliation</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	5,152,831	4,909,567
Current tax at 23%/21% (2013: 24%/23%)	1,142,211	1,157,839
Expenses not deductible for tax purposes	128,488	12,491
Depreciation (less)/greater than capital allowances	(60,675)	22,305
Amortisation	7,984	18,910
Research and development credit	(633,434)	(567,059)
	<hr/>	<hr/>
Total current tax charge (see above)	584,574	644,486
	<hr/>	<hr/>

**Notes to the financial statements (continued)****10 Tangible assets**

	<b>Plant, Tooling Equipment &amp; Motor Vehicles</b>	<b>Fixtures, fittings &amp; leasehold improvements</b>	<b>Computer equipment</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
1 September 2013	2,052,222	421,238	622,869	3,096,329
Additions	217,260	448,368	99,185	764,813
Disposals	-	-	(2,457)	(2,457)
	<hr/>	<hr/>	<hr/>	<hr/>
31 August 2014	2,269,482	869,606	719,597	3,858,685
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
1 September 2013	1,591,829	375,196	561,293	2,528,318
Charge for the year	319,490	21,146	67,192	407,828
Disposals	-	-	(2,457)	(2,457)
	<hr/>	<hr/>	<hr/>	<hr/>
31 August 2014	1,911,319	396,342	626,028	2,933,689
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
31 August 2014	358,163	473,264	93,569	924,996
	<hr/>	<hr/>	<hr/>	<hr/>
31 August 2013	460,393	46,042	61,576	568,011
	<hr/>	<hr/>	<hr/>	<hr/>

**11 Intangible fixed assets**

	<b>Goodwill</b>	<b>Intellectual Property</b>	<b>Total</b>
	£	£	£
1 September 2013	363,445	33,813	397,258
Additions	-	22,622	22,622
Charge for the Year	27,957	8,061	36,018
	<hr/>	<hr/>	<hr/>
31 August 2014	335,488	48,374	383,862
	<hr/>	<hr/>	<hr/>

**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.

**Notes to the financial statements (continued)****13 Stocks**

	2014	2013
	£	£
Raw materials	386,437	383,521
Finished goods	6,191,686	6,488,151
	<hr/>	<hr/>
	6,578,123	6,871,672
	<hr/>	<hr/>

**14 Debtors**

	2014	2013
	£	£
Trade debtors	5,854,566	6,201,117
Deferred tax – note 23	33,606	99,896
Other debtors	26,562	1,094,000
Prepayments and accrued income	300,651	279,566
	<hr/>	<hr/>
	6,215,385	7,674,579
	<hr/>	<hr/>

'Other debtors' at 31 August 2014 includes £24,000 being a loan made to D Froker on 24 July 2014. This loan is interest bearing and was made on an arms length basis.

Included in 'Other debtors' at 31 August 2013 was an amount of £1,085,556 being the balance of a loan that was advanced during the year to Disruptive Limited, a Company owned by a relative of PS Dudderidge, in which The Company has an indirect investment. The loan was advanced on an arms length basis. The loan was repaid in the year ended 31 August 2014.

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

	2014	2013
	£	£
Trade creditors	4,080,442	4,217,551
Other taxes and social security costs	236,952	59,249
Corporation tax	192,973	403,399
Amount owed to group undertaking	9,450	8,582
Other creditors	9,040	23,799
Accruals and deferred income	2,523,260	2,009,421
	<hr/>	<hr/>
	7,052,117	6,722,001
	<hr/>	<hr/>

**16 Share capital**

	2014	2013
	£	£
<b>Allotted, called-up and fully-paid: Equity</b>		
52,399 Ordinary shares of £1 each	52,399	48,837
	<hr/>	<hr/>

**Notes to the financial statements (continued)****17 Operating lease commitments**

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

	2014 £	2013 £
Land and buildings lease which expires within 10 years	162,150	162,150

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

	2014 £	2013 £
Profit for the financial year	4,501,967	4,307,452
Ordinary share issue	3,562	-
Share Premium	229,764	-
Dividends paid	(4,244,319)	(1,025,577)
Share option credit	12,478	34,031
	<hr/>	<hr/>
Net addition to shareholders' funds	503,452	3,315,906
Opening shareholders' funds	10,295,472	6,979,566
	<hr/>	<hr/>
Closing shareholders' funds	10,798,924	10,295,472

**19 Share capital and reserves**

	Called up share capital £	Profit and loss account £	Share premium £	Capital redemption reserve £	Total £
1 September 2013	48,837	9,028,027	102,358	1,116,250	10,295,472
Ordinary share issue	3,562	-	229,764	-	233,326
Share option credit	-	12,478	-	-	12,478
Dividends	-	(4,244,319)	-	-	(4,244,319)
Profit for the financial year	-	4,501,967	-	-	4,501,967
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	52,399	9,298,153	332,122	1,116,250	10,798,924
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**20 Capital commitments**

There were no capital commitments authorised or contracted for as at 31 August 2014

**Notes to the financial statements (continued)****21 Dividends**

	2014 £	2013 £
Dividends paid	4,244,319	1,025,577

**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 £123,267 (2013: £98,324).

**23 Deferred tax asset**

	2014 £	2013 £
At beginning of the year	99,896	57,525
(Decrease)/increase in the year	(66,290)	42,371
<b>At end of the year</b>	<b>33,606</b>	<b>99,896</b>

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

	2014 Provided £	2014 Unprovided £	2013 Provided £	2013 Unprovided £
Difference between accumulated depreciation and capital allowances	33,606	-	99,896	-

The deferred tax asset of £33,606 (2013: £99,896) is calculated at 20% (2013 23%) and has been recognised on the basis that the directors believe that there is sufficient evidence that the Company will generate suitable taxable profits in the future against which the asset can be recovered.

The 2013 budget on 20 March 2013 announced that the UK rate of corporation tax will reduce to 20% by 2015. A reduction in the rate from 25% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2013. The further decreases to 21% from 1 April 2014 and 20% from 1 April 2015 are not expected to be substantively enacted until a future Finance Bill is approved.

This will reduce the Company's future current and deferred tax charge accordingly.

**24 Analysis of net funds**

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand	1,492,966	2,242,722	3,735,688

**Notes to the financial statements (continued)****25 Share Option Scheme**

The Company has an established Enterprise Management Incentive (EMI), under which 11,915 share options were outstanding at the beginning of the period.

This year the Company made a further award of options under the Enterprise Management Incentive on 10th September 2012. The options can be exercised from the date of grant and until the 10th 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 August 2014</b>	<b>Number</b>	<b>Total weighted average exercise price</b>
Outstanding at the beginning of the period	11,915	£60.43
Granted during the period	-	-
Forfeited during the period	210	-
Exercised during the period	3,562	£65.50
Expired during the period	-	-
Outstanding at the end of the period	8,143	£58.21
Exercisable at the end of the period	8,143	£58.21

The total estimated value of the above options which has been expensed at 31<sup>st</sup> August 2014 was £12,478 (2013: £34,031).

**26 Controlling interest**

The ultimate controlling party is considered to be PS Dudderidge.