

Company Registration No. 1397862 (England and Wales)

ATLANTIC ELECTRONICS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



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ATLANTIC ELECTRONICS LIMITED

COMPANY INFORMATION

Directors

Mr Rajnikant Harmanbhai Patel
Mr Dilipkumar Kantibhai Patel
Mr Kantibhai Harmanbhai Patel
Mr Ashwinbhai Harmanbhai Patel

Secretary

Mr Kantibhai Harmanbhai Patel

Company number

1397862

Registered office

970 North Circular Road
London
NW2 7JR

Auditors

F S Dalal & Co
4 - 6 Peterborough Road, Harrow, Middx HA1 2BQ

ATLANTIC ELECTRONICS LIMITED

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ATLANTIC ELECTRONICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of wholesale and retail of Hi-fi and electrical appliances.

During the year, the company entered the wholesale business of buying and selling mobile phones. As a result, the turnover of the company increased by 35%. However, since the mobile phones business earned a much lower gross profit, the overall margin was much lower as well.

During the year, the company switched its borrowing facilities to another bank resulting in higher bank charges and legal & professional expenses. There was an overall increase in administrative expenses such as wages, directors' remuneration, advertising etc. In addition, the company had to make provision for a large trade debt. All these factors resulted in an overall loss for the company in the year under review.

Results and dividends

The results for the year are set out on page 5.

The directors consider the state of the company's affairs to be satisfactory.

Dividends amounting to £30,000 (50p per ordinary share) were paid in the year (2004: 50p per ordinary share).

Market value of land and buildings

In the opinion of the directors, the open market value of the properties (other than the investment property which has been incorporated in these accounts at open market value as determined by the directors at £600,000) comprised in land and buildings (note 8) at 31 December 2005 was £5,000,000 compared to their net book value of £2,566,077.

Future developments

The directors are optimistic about increase in turnover and profitability.

Directors

The following directors have held office since 1 January 2005:

Mr Rajnikant Harmanbhai Patel

Mr Dilipkumar Kantibhai Patel

Mr Kantibhai Harmanbhai Patel

Mr Ashwinbhai Harmanbhai Patel

ATLANTIC ELECTRONICS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary of £ 1 each	
	31 December 2005	1 January 2005
Mr Rajnikant Harmanbhai Patel	6,000	6,000
Mr Dilipkumar Kantibhai Patel	3,000	3,000
Mr Kantibhai Harmanbhai Patel	-	-
Mr Ashwinbhai Harmanbhai Patel	24,000	24,000

Other shareholders, being spouses of the above directors, and their shareholdings were as follows:

Mrs Sumatiben K Patel (spouse of Mr K H Patel) 24,000 (1 January 2005: 24,000)

Mrs Rashnita Patel (spouse of Mr D K Patel) 3,000 (1 January 2005: 3,000)

Charitable donations	2005	2004
	£	£
During the year the company made the following payments:		
Charitable donations (Hindu temple £3,000 plus Tsunami appeal £602)	3,602	3,000

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that F S Dalal & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

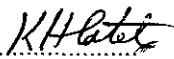
The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

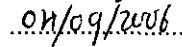
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Mr Kantibhai Harmanbhai Patel

Secretary



ATLANTIC ELECTRONICS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ATLANTIC ELECTRONICS LIMITED

We have audited the financial statements of Atlantic Electronics Limited on pages 5 to 21 for the year ended 31 December 2005. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ATLANTIC ELECTRONICS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ATLANTIC ELECTRONICS LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter - Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements regarding the covenants in relation to the financial performance of the company stipulated by the bank in respect of the banking facilities and the directors' opinions and plans in regard thereto.

We have also considered the adequacy of the disclosures in note 12 of the financial statements concerning the recoverability of the VAT claim which is lying with the Commissioners of H M Revenue & Customs.

In view of the significance of the uncertainties of these matters, we consider that your attention should be drawn to them, but our opinion is not qualified in this respect.



F S Dalal & Co

Chartered Accountants

Registered Auditor

5/9/2006.....

4 - 6 Peterborough Road, Harrow,
Middx HA1 2BQ

ATLANTIC ELECTRONICS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 as restated £
Turnover	2	15,062,462	11,169,194
Cost of sales		(13,618,311)	(9,789,808)
Gross profit		1,444,151	1,379,386
Administrative expenses		(1,389,913)	(991,096)
Other operating income		42,118	38,715
Operating profit	3	96,356	427,005
Loss on closure of Cambridge Hi Fi Ltd		-	(125,695)
		-	(125,695)
Profit on ordinary activities before interest		96,356	301,310
Other interest receivable and similar income		494	32
Amounts written off investments	4	-	(2)
Interest payable and similar charges	5	(233,180)	(209,147)
(Loss)/profit on ordinary activities before taxation		(136,330)	92,193
Tax on (loss)/profit on ordinary activities	6	27,482	(42,221)
(Loss)/profit on ordinary activities after taxation transferred to equity	17	(108,848)	49,972

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

ATLANTIC ELECTRONICS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

		2005		2004 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8 and 9	3,239,928		3,326,048	
Investments	10		1		1
		<u>3,239,929</u>		<u>3,326,049</u>	
Current assets					
Stocks	11	2,736,471		1,774,362	
Debtors	12	2,080,555		2,303,891	
Deferred tax asset	12 & 15	5,751		-	
Cash at bank and in hand		156,446		217,615	
		<u>4,979,223</u>		<u>4,295,868</u>	
Creditors: amounts falling due within one year	13	<u>(3,249,599)</u>		<u>(3,284,425)</u>	
Net current assets		<u>1,729,624</u>		<u>1,011,443</u>	
Total assets less current liabilities		<u>4,969,553</u>		<u>4,337,492</u>	
Creditors: amounts falling due after more than one year	14	<u>(2,650,861)</u>		<u>(1,879,953)</u>	
		<u>2,318,692</u>		<u>2,457,539</u>	
Capital and reserves					
Called up share capital	16	60,000		60,000	
Revaluation reserve	17	277,286		277,286	
Profit and loss account	17	1,981,406		2,120,253	
Shareholders' funds	18	<u>2,318,692</u>		<u>2,457,539</u>	

The financial statements were approved by the Board on 04/09/2006

ATLANTIC ELECTRONICS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	£	2005 £	£	2004 £ As restated
Net cash inflow from operating activities		217,612		547,503
Returns on investments and servicing of finance				
Interest received	494		32	
Interest paid	(233,180)		(209,147)	
Net cash outflow for returns on investments and servicing of finance		(232,686)		(209,115)
Taxation		(42,019)		48,500
Payments to acquire tangible assets		(17,280)		(33,089)
Equity dividends paid		(30,000)		(30,000)
Net cash (outflow)/inflow before management of liquid resources and financing		(104,373)		323,799
Management of liquid resources		-		-
Financing				
New long term bank loan	2,507,500		-	
Other new long term loans- Pension scheme	-		300,000	
Other new short term loans-Pension scheme	-		100,000	
Repayment of long term bank loan	(1,602,848)		(128,553)	
Repayment of other long term loans-Pension scheme	(100,000)		(25,000)	
Repayment of other short term loans	(237,310)		-	
Capital element of hire purchase contracts	(12,726)		(13,450)	
Net cash inflow from financing		554,616		232,997
Increase in cash in the year		450,243		556,796

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2005	2004
		£	£
			As restated
	Operating profit	96,356	301,310
	Depreciation of tangible assets	103,401	120,021
	(Increase)/decrease in stocks	(962,109)	76,965
	Decrease/(increase) in debtors	223,336	(245,455)
	Increase in creditors within one year	756,628	294,662
	Net cash (outflow)/inflow from operating activities	217,612	547,503

2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	217,615	(61,169)	-	156,446
	Bank overdrafts	(1,077,951)	511,412	-	(566,539)
		<u>(860,336)</u>	<u>450,243</u>	<u>-</u>	<u>(410,093)</u>
	Debt:				
	Hire purchase contracts	(14,830)	12,726	-	(2,104)
	Debts falling due within one year	(337,310)	205,671	-	(131,639)
	Debts falling due after one year	(1,877,848)	(773,013)	-	(2,650,861)
		<u>(2,229,988)</u>	<u>(554,616)</u>	<u>-</u>	<u>(2,784,604)</u>
	Net debt	(3,090,324)	(104,373)	-	(3,194,697)

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	Increase in cash in the year	450,243	556,796
	Cash inflow from increase in debt and hire purchase	(554,616)	(233,000)
	Change in net debt resulting from cash flows	(104,373)	323,796
	Amounts written off short-term investments	-	(2)
	Movement in net debt in the year	(104,373)	323,794
	Opening net debt	(3,090,324)	(3,414,118)
	Closing net debt	(3,194,697)	(3,090,324)

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold investment land and buildings.

Bank facilities are subject to the financial covenants that trading profit will always exceed 200% of interest payable and that the bank reserves the right to re-negotiate the terms and change the conditions should the company's financial performance deteriorate.

The directors are of the opinion that the results of the company for the year ended 31 December 2005 have been affected by exceptional circumstances in having to provide for large bad debt, payment of legal and professional fees and bank charges upon switching of banks providing the facilities. Besides, the loan from the Pension Scheme is being repaid and the directors are contemplating sale of company's investment property and are re-assessing the stock levels. They believe that these measures will improve the financial performance of the company.

Therefore, in their opinion, the company will continue to be a going concern.

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	4% per annum on cost
Fixtures, fittings & equipment	20% per annum on cost
Motor vehicles	25% per annum on cost

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(continued)

1.5 Hire purchase commitments

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the payment under the Hire Purchase agreement is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Pensions

The company operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the year.

1.9 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.11 Investment income

Investment income comprises dividends and interest and is accounted for on a receivable basis.

2 Turnover

Geographical market

	Turnover	
	2005	2004
	£	£
Europe	5,798,793	1,974,758
Rest of the world	931,885	805,198
UK	8,331,785	8,389,238
	<u>15,062,463</u>	<u>11,169,194</u>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

3 Operating profit	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	103,401	120,021
Loss(profit) on foreign exchange transactions	4,125	(1,511)
Auditors' remuneration	9,000	8,000
and after crediting:		
Rents receivable	44,880	36,732
	<u> </u>	<u> </u>

Depreciation on assets under hire purchase contracts - see note 8.

Directors remunerations are detailed at note 20.

4 Amounts written off investments	2005	2004
	£	£
Amounts written off current asset investments	-	2
	<u> </u>	<u> </u>

5 Interest payable	2005	2004
	£	£
On bank loans and overdrafts*	232,709	211,582
Hire purchase interest	471	959
On tax	-	(3,394)
	<u> </u>	<u> </u>
	233,180	209,147
	<u> </u>	<u> </u>

*includes interest paid of £24,295 to the company's pension fund on borrowings (notes 13 & 14)

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	(21,530)	42,221
	Adjustment for prior years	(201)	-
	Current tax charge	(21,731)	42,221
	Deferred tax		
	Origination and reversal of timing differences	(5,751)	-
		(27,482)	42,221
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(136,330)	92,193
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004 - 30.00%)	(25,903)	27,658
	Effects of:		
	Non deductible expenses	908	2,189
	Depreciation add back	19,646	36,007
	Capital allowances	(6,594)	(12,747)
	Misc adjustments	(9,587)	184
	Adjustments to previous periods	(201)	-
	Marginal Relief	-	(5,901)
	Group Relief	-	(5,169)
		4,172	14,563
	Current tax charge	(21,731)	42,221
7	Dividends	2005	2004
		£	£
	Ordinary equity dividend paid	30,000	30,000

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2005	2,834,979	236,135	72,178	3,143,292
Additions	5,924	11,356	-	17,280
At 31 December 2005	2,840,903	247,491	72,178	3,160,572
Depreciation				
At 1 January 2005	223,197	143,372	50,674	417,243
Charge for the year	51,629	37,228	14,544	103,401
At 31 December 2005	274,826	180,600	65,218	520,644
Net book value				
At 31 December 2005	2,566,077	66,891	6,960	2,639,928
At 31 December 2004	2,611,781	92,763	21,504	2,726,048

In the opinion of the directors, cost of land is approx 50% of the total cost of land and buildings at the date of acquisition which amounted to £1,323,000.

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 December 2005	4,957
At 31 December 2004	15,355
Depreciation charge for the year	
At 31 December 2005	4,953
At 31 December 2004	10,397

Fixtures, fittings and equipment include computer hardware/software with a net book value of £6,586.

Charges on fixed assets to secure credit facilities from the banks are detailed at note 13.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

9 Tangible fixed assets

	Investment properties £
Valuation	
At 1 January 2005 & at 31 December 2005	600,000

The valuation of investment property was done as at 31 December 2005 by the directors, on an open market value basis. As stated in the accounting policies, no depreciation is provided in respect of this property.

If depreciation was provided in respect of the building element of the property, on historical cost basis, the position would be as follows:

Cost £421,060; Depreciation for the year £9,072; Accumulated Depreciation to 31 12 2005 £116,489; Net Book Value £304,571.

If depreciation was provided on the revalued amount, the position would be as follows:

Valuation £600,000; Depreciation for the year £12,927; Accumulated depreciation to 31 12 2005 £25,854; Net Book Value £574,146.

If the property was to be sold at the above stated valuation, no tax liability is likely to arise on account of indexation relief available.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

10 Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 January 2005 & at 31 December 2005	1
Net book value	
At 31 December 2005	1
	<hr/>
At 31 December 2004	1
	<hr/>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Cambridge Hi Fi Limited	England	Ordinary	100.00
Participating interests			
A & M Electronics Limited	England	Ordinary	50.00
Westend DJ Limited	England	Ordinary	25.50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2005 £	Profit for the year 2005 £
	Principal activity		
Cambridge Hi Fi Limited	Dormant since April '05	(137,345)	(23,281)
A & M Electronics Limited	Retailing electronic goods	410,048	(51,732)
Westend DJ Limited	Retailing DJ equipment	133,107	(23,189)
		<hr/>	<hr/>

11 Stocks

	2005 £	2004 £
Finished goods	2,736,471	1,774,362
	<hr/>	<hr/>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Debtors	2005 £	2004 £
Trade debtors	1,086,913	1,927,462
Corporation tax	21,530	-
Other debtors	925,133	337,594
Prepayments and accrued income	46,979	38,835
Deferred tax asset (see note 15)	5,751	-
	<u>2,086,306</u>	<u>2,303,891</u>

Other debtors include VAT recoverable of £877,054 of which £264,209 is outstanding since the second half of the year 2002. The payment has been withheld by the H M Revenue & Customs. The case is currently lying with the Commissioners. The directors are optimistic about its successful resolution.

13 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	598,178	1,315,261
Net obligations under hire purchase contracts	2,104	12,725
Trade creditors	2,386,894	1,698,283
Other creditors	51,510	49,556
Corporation tax	-	42,220
Other taxes and social security costs	16,105	15,511
Directors' current accounts	3,084	-
Loan from company pension scheme	100,000	100,000
Accruals and deferred income	69,224	41,869
Dividends payable	22,500	9,000
	<u>3,249,599</u>	<u>3,284,425</u>

Bank overdraft and loan of £3,074,039 (including £2,475,861 shown outstanding in note 14) are secured by first legal charge on the company's freehold properties at 37/39 High Road, London NW10 and 970 North Circular Road, London NW2, debenture on the assets of the company, personal guarantees of M/s K H and A H Patel (directors), charge over the deposit account of Mr K H Patel, and counter guarantee of the company for letters of guarantee and credit outstanding from time to time (see note 18).

The bank loan and overdraft facilities carry interest rate of 1.10% pa and 1.25% pa respectively over the Barclays bank base rate.

During the year, the company repaid £100,000 of the loan from its Pension Scheme, leaving a balance of £275,000 (including £175,000 due after 1 year - see note 14). The loan is repayable by quarterly instalments of £25,000 plus interest at 3% above the Bank of England base rate.

Obligations under hire purchase contracts are secured by charge on the underlying assets - motor vehicles.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

14 Creditors: amounts falling due after more than one year	2005 £	2004 £
Bank loans repayable by instalments	2,475,861	1,602,848
Loan from company pension scheme (see note 13)	175,000	275,000
Net obligations under hire purchase contracts	-	2,105
	<u>2,650,861</u>	<u>1,879,953</u>
Analysis of loans		
Not wholly repayable within five years by instalments:	1,716,535	725,885
Wholly repayable within five years by instalments	1,065,965	1,489,273
	<u>2,782,500</u>	<u>2,215,158</u>
Included in current liabilities	(131,639)	(337,310)
	<u>2,650,861</u>	<u>1,877,848</u>
Instalments not due within five years	<u>1,716,535</u>	<u>725,885</u>
Loan maturity analysis		
In more than one year but not more than two years	289,832	337,310
In more than two years but not more than five years	644,494	814,653
In more than five years	<u>1,716,535</u>	<u>725,885</u>

The security and interest rate details in respect of the above bank loans are at note 13.

Bank loan of £2,507,500 is repayable at £15,819 per month inclusive of interest commencing November 2006.

Loan of £275,000 from the company's pension scheme is repayable at £25,000 plus interest per quarter.

Net obligations under hire purchase contracts

Repayable within one year	2,104	12,725
Repayable between one and five years	-	2,105
	<u>2,104</u>	<u>14,830</u>
Included in liabilities falling due within one year	(2,104)	(12,725)
	<u>-</u>	<u>2,105</u>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

15 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 12) is made up as follows:

	2005 £
Profit and loss account	(5,751)

	2005 £	2004 £
Decelerated capital allowances	(5,751)	-

16 Share capital

	2005 £	2004 £
Authorised		
60,000 Ordinary of £1 each	60,000	60,000
Allotted, called up and fully paid		
60,000 Ordinary of £1 each	60,000	60,000

17 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
		As restated
Balance at 1 January 2005 as restated (see note below)	277,286	2,120,254
Loss for the year	-	(108,848)
Dividends paid	-	(30,000)
Balance at 31 December 2005	277,286	1,981,406

Revaluation reserve is in respect of the investment property owned by the company. At the current year end, in the opinion of the directors, its open market value was £600,000 (2004: £600,000).

Balance in profit and loss account at 1 January 2005 reflects prior year adjustment consequent upon the requirements of FRS 21 as explained in note 18. Balance prior to the prior year adjustment was £2,090,254.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

18 Reconciliation of movements in shareholders' funds	2005 £	2004 £
		As restated
(Loss)/Profit for the financial year	(108,848)	49,972
Dividends	(30,000)	(30,000)
Net (depletion in)/addition to shareholders' funds	(138,848)	19,972
Opening shareholders' funds as restated (see note below)	2,457,539	2,437,567
Closing shareholders' funds	2,318,692	2,457,539

Opening shareholders' funds for each of the two years have been increased by £30,000 each to reflect prior year adjustment consequent upon the requirement of FRS 21 whereby dividends are to be accounted on payment instead of accrual basis.

Opening shareholders' funds before prior year adjustments were:

At 1 January 2005 £2,427,539

At 1 January 2004 £2,407,567

19 Contingent liabilities

In the opinion of the directors, the open market value of company's interest in land and buildings, other than the investment property incorporated in these accounts at directors valuation of £600,000, and reflected in these accounts at cost, net of accumulated depreciation, of £2,566,077 (note 8) is £5,000,000 which, if realised, would give rise to a tax liability of approximately £490,000 for which no provision has been made in these accounts.

The bank has given a guarantee on behalf of the company for £80,000 to H M Customs & Excise against counterguarantee of the company. The company has also executed counterguarantee for letters of credit that the bank may open from time to time for the account of the company. Outstanding letters of credit at 31 December 2005 were £Nil (2004 £Nil).

Atlantic Electronics Limited has undertaken to support the operations of its wholly owned subsidiary, Cambridge Hi-Fi Limited to the extent of shortfall in the shareholders funds which amounted to £137,345 at its last prepared balance sheet at 30 June 2005.

At the balance sheet date, stock was underinsured to the extent of approx £800,000.

Although banking facilities from certain banks have been paid off, their charges on the assets of the company, recorded at the Companies House, subsist.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

20 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	120,584	103,017

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2004- 3).

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Management	5	3
Selling and distribution	23	23
Administration	5	5
	33	31

Employment costs	2005 £	2004 £
Wages and salaries	571,261	504,130
Social security costs	54,104	46,926
	625,365	551,056

22 Control

The directors acting in concert with their spouses are the controlling party.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

23 Related party transactions

A. During the year, the company had the following transactions with entities deemed related:

1. *Munroview Ltd: Sold goods to and paid for computer expenses for Munroview Ltd in the amount of £1,942,526 and £2,400 exc VAT. Balance outstanding due from Munroview Ltd at 31 December 2005 was £365,080.*

M/s D K and R H Patel are common directors and each hold 34% of the issued ordinary share capital of the company.

2. *A & M Electronics Ltd: Sold goods to A & M Electronics Ltd in the amount of £359,588 exc VAT. Balance outstanding payable to A & M Electronics Ltd at 31 December 2005 was £153,503.*

Atlantic Electronics Ltd owns 50% of the issued ordinary share capital of the company and M/s D K, K H, and R H Patel are common directors.

3. *Westend D J Ltd: Sold goods to Westend D J Ltd in the amount of £1,386,673 exc VAT. Advertising support given to Westend D J Ltd in the amount of £23,077, medical insurance paid for its directors amounting to £812, and computer expenses paid for the company £3,600. Balance outstanding due from Westend D J Ltd at 31 December 2005 was £201,543.*

50% of the issued ordinary share capital of Westend D J Ltd is owned by A & M Electronics Ltd.

4. *Cambridge Hi Fi Limited: Sold goods to Cambridge Hi Fi Limited in the amount of £65,882, advertising support given £3,078, compensation for tax loss given £7,165 and refunds for utilities given of £38. Cambridge Hi Fi Limited is a wholly owned subsidiary of the company.*

B. The directors have provided certain securities to the banks to secure credit facilities allowed by them to Atlantic Electronics Limited. Details are at note 13.

C. The company took a loan of £400,000 from its pension scheme in the year ended 31 December 2004. Balance outstanding at 31 December 2005 was £275,000 repayable at £25,000 per quarter with interest at 3% over Bank of England base rate.