

2326213

ASTUTE ELECTRONICS LIMITED

31ST DECEMBER 2003

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FINANCIAL STATEMENTS

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ASTUTE ELECTRONICS LIMITED

31ST DECEMBER 2003

DIRECTORS

G. I. Hill
I. Fantham

SECRETARY

I. Fantham

AUDITORS

Mead, Turner & Co. Ltd.
48, Thorley Hill
Bishop's Stortford
Herts CM23 3NA

BANKERS

National Westminster Bank plc
43, High Street
Hoddesdon
Herts. EN11 8HE

REGISTERED OFFICE

48, Thorley Hill
Bishops Stortford
Herts. CM23 3NA

REGISTERED NUMBER

2326213

ASTUTE ELECTRONICS LIMITED

DIRECTORS' REPORT

31ST DECEMBER 2003

INTRODUCTION

The directors submit their report and accounts for the year ended 31st December 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

PRINCIPAL ACTIVITY

The company's principal activity continues to be that of distributors of electronic components.

The optimism expressed for the following year in the Director's Report from the 2002 was demonstrably warranted.

2003 saw a 34% increase in sales and a 43% increase in gross profit. Although overheads were up 35%, pre-tax profits improved by 132% to £578K.

From Comparative data received from AFDEC, the association of Franchised Distributors of Electronic Components, Astute Electronics Limited continues to perform well.

With the global market for electronic components improving, Astute Electronics are well positioned to return another good year in 2004.

ASTUTE ELECTRONICS LIMITED

DIRECTORS' REPORT

31ST DECEMBER 2003

DIRECTORS

The directors who held office during the year and their beneficial interest in the company's issued ordinary share capital were :-

	<u>Shares held at</u>	
	<u>31st December 2003</u>	<u>1st January 2003</u>
G.I. Hill	5100	5100
R.M. Fraser (Retired 30/6/2004)	4000	4000
I. Fantham	900	900

EVENTS SINCE THE END OF THE YEAR

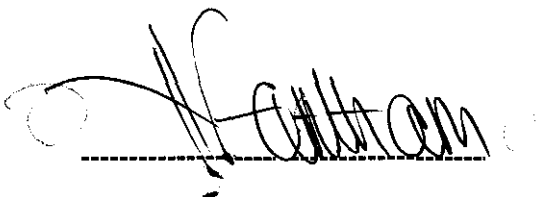
On the 30th June 2004 the company purchased 4000 £1 ordinary shares from its shareholders for £1,000,000, this represents 40% of the issued share capital.

AUDITORS

The Auditors, Mead, Turner & Co. Ltd., will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 12th August 2004 and signed on its behalf.

SIGNED BY ORDER OF THE BOARD :



SECRETARY

12th August 2004

DATE

ASTUTE ELECTRONICS LIMITED

31ST DECEMBER 2003

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ASTUTE ELECTRONICS LIMITED

We have audited the financial statements of Astute Electronics Limited for the year ended 31st December 2003 on pages 5 to 16. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 9 and 10. 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 that we are required to state to them in an auditors' 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, or the opinions we have formed.

Respective responsibilities of 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. Our responsibility is to audit the financial standards in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. 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 Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, 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 transactions with the company 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.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practises Board. An audit includes examination, on a test basis, of evidence relevant to 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Company's Act 1985.

48, Thorley Hill
Bishops Stortford
Herts CM23 3NA

19th AUGUST 2004

Meredith Tanner

CHARTERED CERTIFIED ACCOUNTANTS
REGISTERED AUDITORS

ASTUTE ELECTRONICS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2003

		<u>2003</u>	<u>2002</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
Turnover	2	13,438,340	10,014,639
Cost of Sales		9,356,504	7,165,778
		-----	-----
Gross Profit		4,081,836	2,848,861
Administrative Expenses		3,359,465	2,515,507
		-----	-----
Operating Profit	3	722,371	333,354
Interest Receivable		137	3,384
Interest Payable	6	-144,057	-87,513
		-----	-----
Profit on Ordinary Activities Before Tax		578,451	249,225
Tax on profits on ordinary activities	7	257,971	112,670
		-----	-----
Profit for the Financial Year		£320,480	£136,555
		=====	=====

None of the company's activities were acquired or discontinued during the period.

ASTUTE ELECTRONICS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31ST DECEMBER 2003

	<u>2003</u>	<u>2002</u>
	£	£
Profit for the financial year	320,480	136,555
Unrealised surplus on revaluation of properties	0	0
	-----	-----
Total recognised gains and losses relating to the year	£320,480	£136,555
	=====	=====

RECONCILIATION OF SHAREHOLDERS' FUNDS

YEAR ENDED 31ST DECEMBER 2003

	<u>2003</u>	<u>2002</u>
	£	£
Total recognised gains and losses relating to the year	320,480	136,555
	-----	-----
Total movement during the year	320,480	136,555
Shareholders' funds at 1st January	1,203,017	1,066,462
	-----	-----
Shareholders' funds at 31st December	£1,523,497	£1,203,017
	=====	=====

The attached notes form part of these financial statements.

ASTUTE ELECTRONICS LIMITED

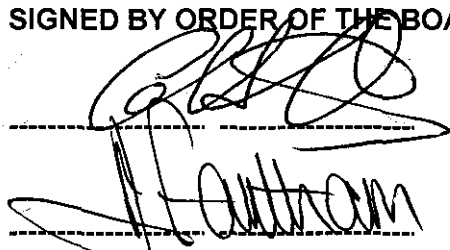
BALANCE SHEET

31ST DECEMBER 2003

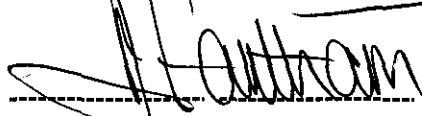
	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
Fixed Assets			
Tangible Assets	8	1,944,891	1,943,299
Investments	9	33,069	0
Current assets			
Stock - Finished Goods		944,632	1,131,142
Debtors	10	2,878,366	1,712,981
Bank and Cash		139,639	68,945
		<u>3,962,637</u>	<u>2,913,068</u>
Creditors : Amounts falling due within one year	11	<u>3,309,934</u>	<u>2,499,059</u>
Net Current Assets		652,703	414,009
		<u>2,630,663</u>	<u>2,357,308</u>
Creditors - Amounts falling due after more than one year	12	1,107,166	1,154,291
		<u>£1,523,497</u>	<u>£1,203,017</u>
Capital and Reserves			
Called Up Share Capital	14	10,000	10,000
Revaluation Reserve	15	83,460	83,460
Profit and loss account	16	1,430,037	1,109,557
Shareholders' funds		<u>£1,523,497</u>	<u>£1,203,017</u>

The financial statements were approved by the board of directors on 12th August 2004 and signed on its behalf.

SIGNED BY ORDER OF THE BOARD:



DIRECTOR



DIRECTOR

12th August 2004

DATE

The attached notes form part of these financial statements.

ASTUTE ELECTRONICS LIMITED

CASH FLOW STATEMENT

31ST DECEMBER 2003

Reconciliation of operating profit to net cash inflow from operations

	<u>2003</u>	<u>2002</u>
	£	£
Operating Profit (less interest)	578,451	249,225
Depreciation of Tangible Fixed Assets	127,681	106,215
Decrease / (Increase) in Stocks	186,510	-580,027
(Increase) / Decrease in Debtors	-1,165,386	89,721
Increase / (Decrease) in Creditors	596,531	-260,425
Net cash inflow / (outflow) from operations	£323,787 =====	-£395,291 =====

CASH FLOW STATEMENT

	<u>2003</u>	<u>2002</u>
	£	£
Net cash inflow / (outflow) from operations	323,787	-395,291
Taxation paid	-112,670	-168,919
Capital Expenditure	-184,191	-1,450,195
Proceeds from sale of assets	21,850	1,500
(Decrease) Increase in Cash	£48,776 =====	-£2,012,905 =====

Reconciliation of net cash flow to movement in net debt (note 19).

	<u>2003</u>	<u>2002</u>
	£	£
Increase/(Decrease) in cash in the period	48,776	-2,012,905
Net cash at 1st January	-1,793,687	219,218
Net cash at 31st December	-£1,744,911 =====	-£1,793,687 =====

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

1. ACCOUNTING POLICIES

a) Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

b) Tangible Fixed Assets

No depreciation is provided on the freehold land and building. It is company policy to maintain its building to a high standard, and because of this it maintains a residual disposal value, based on prices prevailing at the date of purchase or subsequent valuation, at least equal to its book value and accordingly no provision for depreciation is made. Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost over their estimated useful life. Rates currently used are as follows :-

Office Equipment	20%
Motor Vehicles	25%
Leasehold premises	10%

c) Stock

Stock is valued at the lower of cost and net realisable value, using the average method.

d) Hire Purchase

Where assets are purchased by hire purchase agreements, the assets are treated as if they had been purchased. The amounts by which the payments exceeded the recorded obligations are treated as financial charges.

e) Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss as incurred.

f) Pensions

The company operates a defined contribution pension scheme and the charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

g) Foreign Exchange Transactions

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate ruling at the balance sheet date.

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

h) Deferred Taxation

The charge for taxation takes into account taxation deferred as a result of material timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

2. TURNOVER AND PROFITS

The turnover and pre-tax profit for the year is all attributable to the one continuing activity, that of distribution of electronic components. The directors consider that disclosure of turnover analysed by geographical market would be seriously prejudicial to the business and therefore such information is not disclosed.

3. OPERATING PROFIT

Operating profit is stated after charging :-

	<u>2003</u>	<u>2002</u>
	£	£
Directors' emoluments	258,051	210,374
Pension costs	42,236	43,646
Auditor's remuneration	11,000	9,850
Operating lease rentals	0	66,300
Loss on disposal of assets	8,207	2,771
Depreciation of tangible fixed assets : -		
owned by the company	70,105	68,834
held under finance leases	49,369	34,610
	=====	=====

During the year retirement benefits were accruing to 3 directors (2002 - 3) in respect of money purchase pension schemes. At the balance sheet date no contributions were outstanding.

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Wages and salaries	1,436,222	1,107,914
Social security costs	163,305	117,130
Other pension costs	42,236	43,646
	-----	-----
	1,641,763	1,268,690
	=====	=====

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

4. STAFF COSTS - CONT

The average monthly number of employees, including directors, during the year was as follows:

	<u>2003</u> £	<u>2002</u> £
Office and administration	22	19
Sales and marketing	24	21
	-----	-----
	46	40
	=====	=====

5. DIRECTORS' REMUNERATION

	<u>2002</u> £	<u>2001</u> £
Emoluments	258,051	210,374
Pension contributions under money purchase schemes	29,325	28,557
	-----	-----
	287,376	238,931
	=====	=====

The highest paid director received £109,367 (2002 - £86,819) as emoluments. £11,045 (2002 - £10,276) was paid as pension contributions for the highest paid director.

6. INTEREST PAYABLE

Included in interest payable is interest on finance leases and hire purchase contracts of £11,690 (2002 - £13,095).

Loan interest on bank loans and overdrafts amounts to £132,367 (2002 - £74,419).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The amount charged for corporation tax comprises:-

	<u>2003</u> £	<u>2002</u> £
U.K. Corporation Tax at 30.0% (2002 - 27.7%) based on the profit for the year	257,971	112,670
	-----	-----
	£257,971	£112,670
	=====	=====

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

8. TANGIBLE FIXED ASSETS

	Motor Vehicles	Office Equipment	Land & Buildings	Total
	£	£	£	£
<u>Cost / Valuation</u>				
At 1st January 2003	220,077	346,812	1,639,902	2,206,791
Additions	123,702	18,711	8,709	151,122
Disposals	-72,762	-17,739	0	-90,501
	-----	-----	-----	-----
At 31st December 2003	271,017	347,784	1,648,611	2,267,412
	-----	-----	-----	-----
<u>Depreciation</u>				
At 1st January 2003	109,877	153,615	0	263,492
Charge for period	50,961	68,512	0	119,473
Disposals	-42,705	-17,739	0	-60,444
	-----	-----	-----	-----
At 31st December 2003	118,133	204,388	0	322,521
	-----	-----	-----	-----
<u>Net Book Value</u>				
At 31st December 2003	£152,884	£143,396	£1,648,611	£1,944,891
	=====	=====	=====	=====
At 31st December 2002	£110,200	£193,197	£1,639,902	£1,943,299
	=====	=====	=====	=====

Included in land & buildings are freehold land & buildings of £1,639,902 (2002 - £1,639,902) which are not depreciated.

Included above are motor vehicles held under finance leases or hire purchase contracts with net book values of £148,106 (2002 - £103,829).

One of the freehold properties was revalued to £325,000 on 10th January 2001 by Paul Wallace Professional, an independent firm of chartered surveyors, on an open market existing use basis.

If the freehold property had not been included at valuation it would have been included under the historical cost convention as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Cost	241,540	241,540
	=====	=====

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

9. INVESTMENTS

The company holds 100% of the share capital of Astute Electronics Trading (Shanghai) Limited an *unlisted company incorporated in China*. The figure shown in the balance sheet represents the amount of share capital invested up to 31st December 2003. At the balance sheet date the company had just started to trade and results for the period were not available.

10. DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Trade Debtors	2,835,916	1,652,958
Sundry Debtors and prepayments	42,450	60,023
	-----	-----
	£2,878,366	£1,712,981
	=====	=====

All debtors are due within one year.

11. CREDITORS FALLING DUE WITHIN ONE YEAR

	<u>2003</u>	<u>2002</u>
	£	£
Bank Loans and Overdrafts	857,484	756,745
Net Obligations under Hire Purchase Contracts	68,121	32,441
Trade Creditors	1,865,275	1,500,071
Corporation Tax	257,971	112,670
Other Taxes	72,862	39,644
Other Creditors and Accruals	188,221	57,488
	-----	-----
	£3,309,934	£2,499,059
	=====	=====

Of the creditors falling due within and after more than one year £2,032,771 (2002 - £1,943,477) are secured.

The bank loans outstanding at the year end amounted to £1,094,836 (2002 - £1,192,927)

The company's bank holds a fixed and floating charge over the assets of the company.

The bank loan, in certain circumstances, may be repayable on demand.

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

12. CREDITORS FALLING DUE AFTER ONE YEAR

	<u>2003</u>	<u>2002</u>
	£	£
Bank Loans	1,027,066	1,105,887
Net obligations under Hire Purchase Contracts	80,100	48,404
Other creditors and accruals	0	0
	-----	-----
	£1,107,166	£1,154,291
	=====	=====

The net obligations under Hire Purchase Contracts of £80,100 (2002 - £48,404) are due in between one and five years.

The bank loans are repayable as £67,770 (2002 - £87,040) within one year, £72,742 (2002 - £58,697) between one and two years, £232,923 (2002 - £198,194) between two and five years and £721,401 (2002 - £848,996) after more than five years.

13. OTHER COMMITMENTS

At 31st December 2003 the company had annual commitments under non-cancellable operating leases as follows:-

	<u>2003</u>	<u>2002</u>
	£	£
Expiry Date		
Within one year	£0	£33,150
Between one and five years	£0	£0
More than five years	£120,150	£0
	=====	=====

Of the above, £120,150 (2002 - £33,150) relates to Land and Buildings.

14. SHARE CAPITAL

Ordinary shares of £1 each :	<u>2003</u>	<u>2002</u>
	£	£
Authorised	£10,000	£10,000
	=====	=====
Issued and fully paid	£10,000	£10,000
	=====	=====

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

15. REVALUATION RESERVE

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
At 1st January	83,460	83,460
Surplus on revaluation of land and buildings	0	0
	<hr/>	<hr/>
At 31st December	<u>£83,460</u>	<u>£83,460</u>
	<hr/>	<hr/>

16. PROFIT AND LOSS ACCOUNT

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
At 1st January	1,109,557	973,002
Profit for the financial year	320,480	136,555
	<hr/>	<hr/>
At 31st December	<u>£1,430,037</u>	<u>£1,109,557</u>
	<hr/>	<hr/>

17. TRANSACTIONS WITH DIRECTORS

The controlling party is Mr G. Hill by virtue of his ownership of 51% of the issued share capital in the company.

During the year the company received services to the value of £354,000 (2002 - £201,000) from Prime Electronics (Cheshunt) Limited, a company in which Mr G. Hill had a material interest, and £260,000 (2002 - £140,000) from Ran Electronics Limited, a company in which Mr R. Fraser had a material interest. These services were on normal commercial terms.

At 31st December 2003 £389,513 (2002 - £209,737) was owed to Prime Electronics (Cheshunt) Limited, and £305,500 (2002 - £164,500) was owed to Ran Electronics Limited.

18 POST BALANCE SHEET EVENTS

On the 30th June 2004 the company purchased 4000 £1 ordinary shares from its shareholders for £1,000,000, this represents 40% of the issued share capital.

ASTUTE ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 2003

19. ANALYSIS OF CHANGE IN NET DEBT

	<u>Balance</u> <u>1.1.2003</u> £	<u>Cash</u> <u>Flows</u> £	<u>Balance</u> <u>31.12.2003</u> £
Cash in hand and at bank	68,945	70,694	139,639
Bank loans and Overdrafts	-1,862,632	-21,918	-1,884,550
	-----	-----	-----
Total	-£1,793,687	£48,776	-£1,744,911
	=====	=====	=====