

REG OF COMPANIES

Registered number
2326213
England and Wales

Astute Electronics Limited

Report and Accounts

31 December 2005



Thomas David
Chartered Accountants

Astute Electronics Limited
Report and accounts

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Astute Electronics Limited
Company Information

Directors

G. I. Hill
I. Fantham

Secretary

I. Fantham

Auditors

Thomas David
6 - 7 Castle Gate
Castle Street
Hertford
Hertfordshire

Bankers

National Westminster Bank plc
43 High Street
Hoddesdon
Hertfordshire

Registered office

Church House
Church Street
Ware
Hertfordshire

Registered number

2326213

Astute Electronics Limited

Directors' Report

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

Principal activities and review of the business

The company's principal activity during the year was distributors of electronic components.

The company maintained the increase in sales experienced in 2004 during 2005 with a turnover of £16.3 million. In addition gross margin improved from 30.3% to 31.8% which led to a 7% rise in gross profit to £5.2 million. Overheads increased by 15% to £4.4 million, leaving a pre-tax profit of £0.8million.

The company plans to open further satellite sales offices to accompany the office it already operates in China.

Results and dividends

A summary of the results for the year is given on page 5 of the accounts. The profit for the year, after taxation, of £519,190 has been transferred to reserves. The directors do not recommend a dividend in respect of the year.

Enterprise Management Incentive Share Option Scheme

During the year the directors introduced an Enterprise Management Incentive Share Option Scheme for the directors and senior management of the company.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	£1 Ordinary shares	
	31 Dec 2005	1 Jan 2005
G. I. Hill	5,100	5,100
I. Fantham	900	900

Directors' responsibilities

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

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 to enable them to ensure that the accounts 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.

Astute Electronics Limited
Directors' Report

Post balance sheet events

No post balance sheet events have occurred since 31 December 2005 which require reporting or disclosing in the accounts.

Disclosure of information to auditors

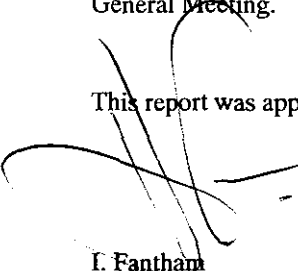
So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to reappoint Thomas david as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 17 October 2006.



I. Fantham
Secretary

Astute Electronics Limited

Independent auditors' report to the shareholders of Astute Electronics Limited

We have audited the accounts of Astute Electronics Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These accounts have been prepared under 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 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, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the accounts 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 accounts 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 accounts, 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

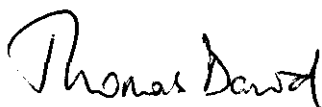
We conducted our audit in accordance with *International Standards on Auditing (UK and Ireland)* issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts:

- 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 profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



Thomas David
Registered auditors

17 October 2006

6 - 7 Castle Gate
Castle Street
Hertford
Hertfordshire

Astute Electronics Limited
Profit and Loss Account
for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	2	16,334,813	15,974,323
Cost of sales		(11,134,619)	(11,126,991)
Gross profit		<u>5,200,194</u>	<u>4,847,332</u>
Administrative expenses		(4,239,812)	(3,645,470)
Operating profit	3	<u>960,382</u>	<u>1,201,862</u>
Exceptional items: profit/(loss) on the disposal of tangible fixed assets	4	4,046	(525)
		<u>964,428</u>	<u>1,201,337</u>
Interest receivable		9,679	78
Interest payable	7	(136,685)	(172,698)
Profit on ordinary activities before taxation		<u>837,422</u>	<u>1,028,717</u>
Tax on profit on ordinary activities	8	(318,232)	(396,702)
Profit for the financial year		<u><u>519,190</u></u>	<u><u>632,015</u></u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Astute Electronics Limited
Statement of total recognised gains and losses
for the year ended 31 December 2005

	Notes	2005 £	2004 £
Profit for the financial year		519,190	632,015
Unrealised surplus on revaluation of properties	9	-	185,098
Total recognised gains and losses related to the year		<u>519,190</u>	<u>817,113</u>

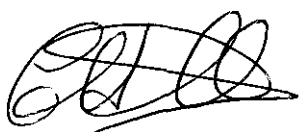
Astute Electronics Limited
Balance Sheet - 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	9	2,154,153	2,087,387
Investments	10	<u>113,029</u>	<u>113,029</u>
		2,267,182	2,200,416
Current assets			
Stocks	11	1,009,613	1,015,181
Debtors	12	4,015,023	3,042,850
Cash at bank and in hand		<u>117,987</u>	<u>929,824</u>
		5,142,623	4,987,855
Creditors: amounts falling due within one year	13	(4,566,049)	(4,820,661)
Net current assets		<u>576,574</u>	<u>167,194</u>
Total assets less current liabilities		<u>2,843,756</u>	<u>2,367,610</u>
Creditors: amounts falling due after more than one year	14	(983,956)	(1,027,000)
Net assets		<u><u>1,859,800</u></u>	<u><u>1,340,610</u></u>
Capital and reserves			
Called up share capital	17	6,000	6,000
Revaluation reserve	18	268,558	268,558
Capital redemption reserve	19	4,000	4,000
Profit and loss account	20	1,581,242	1,062,052
Shareholders' funds	21	<u><u>1,859,800</u></u>	<u><u>1,340,610</u></u>

Signed on behalf of the Board:

G. I. Hill
Director

Approved by the board on 17 October 2006



I. Fantham
Director



Astute Electronics Limited
Cash Flow Statement
for the year ended 31 December 2005

	Notes	2005 £	2004 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		960,382	1,201,862
Depreciation charges		133,484	120,869
Decrease/(increase) in stocks		5,568	(70,549)
Increase in debtors		(972,173)	(164,484)
Increase in creditors		1,106,864	472,145
Net cash inflow from operating activities		<u>1,234,125</u>	<u>1,559,843</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		1,234,125	1,559,843
Returns on investments and servicing of finance	22	(127,006)	(172,620)
Taxation		(387,426)	(261,883)
Capital expenditure	22	<u>(196,204)</u>	<u>(158,752)</u>
		523,489	966,588
Financing	22	<u>(17,537)</u>	<u>(1,131,312)</u>
Increase/(decrease) in cash		<u>505,952</u>	<u>(164,724)</u>

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period		505,952	(164,724)
Decrease in debt and lease financing		17,537	131,312
Change in net debt	23	<u>523,489</u>	<u>(33,412)</u>
Net debt at 1 January		<u>(1,926,544)</u>	<u>(1,893,132)</u>
Net debt at 31 December		<u>(1,403,055)</u>	<u>(1,926,544)</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

Depreciation

No depreciation is provided on freehold land and buildings. It is company policy to maintain its buildings to a high standard, and because of this they maintain a residual disposal value, based on prices prevailing at the date of purchase or subsequent valuation, at least equal to their book value and accordingly no provision for depreciation is made. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold premises	10% on cost
Office equipment	20% on cost
Motor vehicles	25% on cost

Stocks

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

Foreign currencies

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

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

2 Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. Turnover and operating profit are attributable to the one continuing activity, although no geographical analysis is given as the directors consider that this would be prejudicial to the business.

3 Operating profit	2005	2004
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	91,937	96,805
Depreciation of assets held under finance leases and hire purchase contracts	40,676	23,194
Amortisation of lease	871	871
Operating lease rentals - land buildings	120,150	120,150
Auditors' remuneration	7,885	5,000
(Profit) loss on foreign exchange	<u>(87,293)</u>	<u>94,394</u>

4 Exceptional items	2005	2004
	£	£
Profit/(loss) on disposal of plant and machinery	<u>4,046</u>	<u>(525)</u>

5 Directors' emoluments	2005	2004
	£	£
Emoluments	286,167	274,524
Company contributions to money purchase pension schemes	<u>18,176</u>	<u>24,840</u>
	<u>304,343</u>	<u>299,364</u>

Highest paid director:		
Emoluments	187,972	134,989
Company contributions to money purchase pension schemes	<u>11,588</u>	<u>11,589</u>
	<u>199,560</u>	<u>146,578</u>

Number of directors in company pension schemes:	2005	2004
	Number	Number
Money purchase schemes	<u>2</u>	<u>2</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

6 Staff costs	2005	2004
	£	£
Wages and salaries	1,942,228	1,643,735
Social security costs	230,871	187,856
Other pension costs	34,166	36,047
	<u>2,207,265</u>	<u>1,867,638</u>

Average number of employees during the year	Number	Number
Office and administration	22	23
Sales and marketing	33	26
	<u>55</u>	<u>49</u>

7 Interest payable	2005	2004
	£	£
Bank loans and overdrafts	128,475	163,839
Finance charges payable under finance leases and hire purchase contracts	8,210	8,859
	<u>136,685</u>	<u>172,698</u>

8 Taxation	2005	2004
	£	£
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	318,232	396,702
	<u>318,232</u>	<u>396,702</u>

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2005	2004
	£	£
Profit on ordinary activities before tax	<u>837,422</u>	<u>1,028,717</u>
Standard rate of corporation tax in the UK	30%	30%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	251,227	308,615
Effects of:		
Expenses not deductible for tax purposes	67,005	88,087
	<u>318,232</u>	<u>396,702</u>
Current tax charge for period	<u>318,232</u>	<u>396,702</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

9 Tangible fixed assets

	Freehold land and buildings £	Motor vehicles £	Office equipment £	Total £
Cost				
At 1 January 2005	1,833,709	222,365	438,499	2,494,573
Additions	-	102,622	108,582	211,204
Disposals	-	(34,620)	(7,268)	(41,888)
At 31 December 2005	<u>1,833,709</u>	<u>290,367</u>	<u>539,813</u>	<u>2,663,889</u>
Depreciation				
At 1 January 2005	871	123,096	283,219	407,186
Charge for the year	871	47,734	84,879	133,484
On disposals	-	(23,666)	(7,268)	(30,934)
At 31 December 2005	<u>1,742</u>	<u>147,164</u>	<u>360,830</u>	<u>509,736</u>
Net book value				
At 31 December 2005	<u>1,831,967</u>	<u>143,203</u>	<u>178,983</u>	<u>2,154,153</u>
At 31 December 2004	<u>1,832,838</u>	<u>99,269</u>	<u>155,280</u>	<u>2,087,387</u>

One of the companys freehold properties was revalued to £1,500,000 on 27 April 2004 by Freeth Melhuish, an independent firm of chartered surveyors, on an open market existing use basis. The second freehold property was revalued to £325,000 on 10 January 2001 by Paul Wallace Professional, an independent firm of chartered surveyors, on an open market existing use basis. The remaining land and buildings are short leasehold.

Freehold land at valuation included above not depreciated	<u>1,825,000</u>
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Freehold land and buildings:	2005	2004
	£	£
Historical cost	<u>1,556,442</u>	<u>1,556,442</u>
Cumulative depreciation based on historical cost	<u>-</u>	<u>-</u>

	2005	2004
	£	£
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>122,028</u>	<u>69,583</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

10 Investments

	Other investments £
Cost	
At 1 January 2005	113,029
At 31 December 2005	<u>113,029</u>

The company holds 100% of the share capital of Astute Electronics Trading (Shanghai) Limited an unlisted company incorporated in China. The directors consider that the results of this subsidiary need not be consolidated on the grounds that that they are not material for the purpose of giving a true and fair view.

Other investments	2005 £	2004 £
Unlisted investments	<u>113,029</u>	<u>113,029</u>

11 Stocks

	2005 £	2004 £
Finished goods and goods for resale	<u>1,009,613</u>	<u>1,015,181</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12 Debtors

	2005 £	2004 £
Trade debtors	3,918,930	2,988,559
Other debtors	37,334	8,740
Prepayments and accrued income	57,859	44,651
Unpaid called up share capital	900	900
	<u>4,015,023</u>	<u>3,042,850</u>

13 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	499,412	1,809,651
Obligations under finance lease and hire purchase contracts	37,674	19,717
Trade creditors	3,279,659	2,140,800
Corporation tax	323,596	392,790
Other taxes and social security costs	64,580	97,895
Other creditors	361,128	359,808
	<u>4,566,049</u>	<u>4,820,661</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

14 Creditors: amounts falling due after one year	2005	2004
	£	£
Bank loans	893,271	966,617
Obligations under finance lease and hire purchase contracts	90,685	60,383
	<u>983,956</u>	<u>1,027,000</u>

15 Loans	2005	2004
	£	£
Analysis of maturity of debt:		
Within one year or on demand	72,578	65,028
Between one and two years	70,058	70,306
Between two and five years	225,596	215,756
After five years	597,617	680,555
	<u>965,849</u>	<u>1,031,645</u>

The bank loans are secured by a fixed and floating charge over the assets of the company. The bank loans, in certain circumstances, may be repayable on demand.

16 Obligations under finance leases and hire purchase contracts	2005	2004
	£	£
Amounts payable:		
Within one year	37,674	19,717
Within two to five years	90,685	60,383
	<u>128,359</u>	<u>80,100</u>

17 Share capital	2005	2004
	£	£
Authorised:		
Ordinary shares of £1 each	10,000	10,000

	2005	2004	2005	2004
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	6,000	6,000	6,000	6,000

18 Revaluation reserve	2005	2004
	£	£
At 1 January	268,558	83,460
Arising on revaluation during the year	-	185,098
	<u>268,558</u>	<u>268,558</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

19 Capital redemption reserve	2005	2004
	£	£
At 1 January	4,000	-
Purchase of own shares	-	4,000
At 31 December	<u>4,000</u>	<u>4,000</u>
20 Profit and loss account	2005	2004
	£	£
At 1 January	1,062,052	1,430,037
Profit for the financial year	519,190	632,015
Purchase of own shares	-	(1,000,000)
At 31 December	<u>1,581,242</u>	<u>1,062,052</u>
21 Reconciliation of movement in shareholders' funds	2005	2004
	£	£
At 1 January	1,340,610	1,523,497
Profit for the financial year	519,190	632,015
Other recognised gains and losses	-	185,098
Purchase of own shares	-	(1,000,000)
At 31 December	<u>1,859,800</u>	<u>1,340,610</u>
22 Gross cash flows	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest received	9,679	78
Interest paid	(128,475)	(163,839)
Interest element of finance lease rental payments	(8,210)	(8,859)
	<u>(127,006)</u>	<u>(172,620)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(211,204)	(98,792)
Payments to acquire investments	-	(79,960)
Receipts from sales of tangible fixed assets	15,000	20,000
	<u>(196,204)</u>	<u>(158,752)</u>
Financing		
Redemption of share capital	-	(1,000,000)
Loan repayments	(65,796)	(63,191)
Capital element of finance lease rental payments	48,259	(68,121)
	<u>(17,537)</u>	<u>(1,131,312)</u>

Astute Electronics Limited
Notes to the Accounts
for the year ended 31 December 2005

23 Analysis of changes in net debt

	At 1 Jan 2005 £	Cash flows £	Non-cash changes £	At 31 Dec 2005 £
Cash at bank and in hand	929,824	(811,837)		117,987
Overdrafts	(1,744,623)	1,317,789		(426,834)
		505,952		
Debt due within 1 year	(65,028)	(7,550)		(72,578)
Debt due after 1 year	(966,617)	73,346		(893,271)
Finance leases	(80,100)	(48,259)		(128,359)
		17,537		
Total	<u>(1,926,544)</u>	<u>523,489</u>	<u>-</u>	<u>(1,403,055)</u>

24 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2005 £	Land and buildings 2004 £	Other 2005 £	Other 2004 £
Operating leases which expire: in over five years	<u>120,150</u>	<u>120,150</u>	<u>-</u>	<u>-</u>

25 Transactions with directors

During the year the company received services to the value of £787,500 (2004 - £456,000) from Prime Electronics (Cheshunt) Limited, a company in which G.I. Hill has a material interest. All transactions were carried out on a normal commercial basis.

At 31 December 2005 £898,875 (2004 - £511,566) was owed to Prime Electronics (Cheshunt) Limited.

26 Controlling party

The company's controlling party is G. I. Hill by virtue of his ownership of 85% (2004 - 85%) of the issued share capital in the company.

