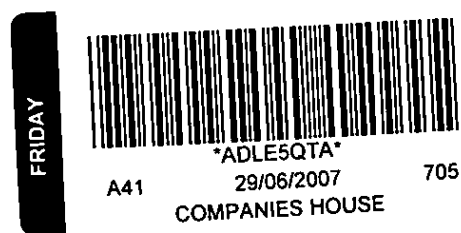


ARCUM LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

Company Registration Number 2910011



**ARCUM LIMITED AND SUBSIDIARY COMPANIES
REPORT AND FINANCIAL STATEMENTS**

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**ARCUM LIMITED AND SUBSIDIARY COMPANIES
COMPANY INFORMATION**

Directors

J A H Curry
R Gupta
J P S Curry

Secretary

J P S Curry

Company number

2910011 (England and Wales)

Registered office

Unit 3
Theale Technology Centre
Theale
Berkshire

Auditors

Tenon Audit Limited
Registered Auditor
Clifton House
Bunnian Place
Basingstoke
Hampshire

Bankers

National Westminster Bank plc
13 Market Place
Reading
Berkshire

HSBC
8 London Street
Basingstoke
Hampshire

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

The directors present their report and financial statements for the group and company for the year ended 30 September 2006

Activities

The principal activities of the group continue to be distribution and retailing of electronic and electrical goods

Review of business

The consolidated profit and loss account for the year is set out on page 6

The Arcum Group of Companies are value added distributors providing sales, marketing, technical, assembly and logistics services for international manufacturers of electronic components, datacomms and networking solutions. Our customers are original equipment manufacturers operating in a wide variety of markets including communications, industrial, automotive, aerospace, defence, instrumentation and channel partners including value added resellers, system integrators and services providers serving the SME market place

During the year, the Group managed to achieve improvements in both profitability and cash flow as a result of increased productivity and tighter cost control. However, sales declined marginally as our markets remain competitive due to the migration of manufacturing to offshore centres and price pressures

At the year end the company had shareholders funds of £1,234,994 including distributable profits of £783,404. The directors therefore believe the company's position to be satisfactory especially as the company's net current assets exceed its current liabilities by £971,118

The gross margin percentage is 31.1% (2005 32%) with operating profit before amortisation of goodwill increasing by £121,508 to £224,018

In the competitive marketplace our Companies operate, there are always risks of losing customers and suppliers due to commercial pressures. However, we believe the Group has the financial resources and a dedicated management/employee team to have confidence in the future growth of the Company both via organic growth and suitable acquisition opportunities as they arise

Directors

The directors who served during the year were as follows

J A H Curry
R Gupta
J P S Curry

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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 for 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 that 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 1985. The directors are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant 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

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

This report was approved by the Board on 16.6.07



J.P.S. Curry
Secretary

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ARCUM LIMITED AND SUBSIDIARY COMPANIES**

We have audited the financial statements of Arcum Limited on pages 6 to 23 for the year ended 30 September 2006. These financial statements have been prepared under the accounting policies set out herein.

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 directors and auditor

As described in the Statement of Directors' Responsibilities 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 applicable to small companies. We also report to you if, in our opinion, the Directors' Report is 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 other transactions is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements 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.

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ARCUM LIMITED AND SUBSIDIARY COMPANIES**

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 affairs of the group and company as at 30 September 2006 and of the result for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Directors' Report is consistent with the financial statements

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
Clifton House
Bunnian Place
Basingstoke
Hampshire

Date - 21/6/07

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	Notes	2006 £	2005 £
Turnover	2	8,662,686	8,924,069
Cost of sales		<u>(5,969,412)</u>	<u>(6,070,655)</u>
Gross profit		2,693,274	2,853,414
Distribution costs		(101,312)	(153,779)
Administrative expenses		<u>(2,367,944)</u>	<u>(2,597,125)</u>
Operating profit before amortisation of goodwill		224,018	102,510
Goodwill		(38,576)	(50,896)
Operating profit	3	<u>185,442</u>	<u>51,614</u>
Other interest receivable and similar income	6	4,077	1,731
Interest payable and similar charges	7	<u>(17,476)</u>	<u>(31,084)</u>
Profit on ordinary activities before taxation		172,043	22,261
Tax on profit on ordinary activities	8	<u>(56,859)</u>	<u>(20,873)</u>
Profit on ordinary activities after taxation		115,184	1,388
Minority interest - equity	21	<u>(35,492)</u>	<u>(16,288)</u>
Profit/(Loss) for the year		<u>79,692</u>	<u>(14,900)</u>

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

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

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006**

	Note	2006 £	2005 £
Fixed assets			
Intangible assets			
- goodwill	11	59,066	90,835
- negative goodwill	11	-	-
		<u>59,066</u>	<u>90,835</u>
Tangible assets	12	216,604	212,081
		<u>275,670</u>	<u>302,916</u>
Current assets			
Stock		772,861	773,795
Debtors	14	1,526,644	1,611,120
Cash at bank and in hand		476,422	286,436
		<u>2,775,927</u>	<u>2,671,351</u>
Creditors: amounts falling due within one year	15	<u>(1,804,809)</u>	<u>(1,814,539)</u>
Net current assets		<u>971,118</u>	<u>856,812</u>
Total assets less current liabilities		<u>1,246,788</u>	<u>1,159,728</u>
Creditors: amounts falling due after more than one year	16	<u>(11,794)</u>	<u>(5,752)</u>
		<u>1,234,994</u>	<u>1,153,976</u>
Capital and reserves			
Called up share capital	18	27,405	27,405
Share premium account	19	61,395	61,395
Merger reserve	19	99,342	99,342
Profit and loss account	19	783,404	731,117
		<u>971,546</u>	<u>919,259</u>
Equity shareholders' funds	20	<u>971,546</u>	<u>919,259</u>
Minority interests	21	263,448	234,717
		<u>1,234,994</u>	<u>1,153,976</u>

The financial statements on pages 6 to 23 were approved by the Board of Directors on *15 June 2007*

Signed on behalf of the Board of Directors



R. Gupta
Director

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2006**

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	12	36,243	20,607
Investments	13	1,463,406	1,449,838
		<u>1,499,649</u>	<u>1,470,445</u>
Current assets			
Debtors	14	39,114	23,280
Cash at bank and in hand		185	184
		<u>39,299</u>	<u>23,464</u>
Creditors: amounts falling due within one year	15	<u>(447,986)</u>	<u>(357,036)</u>
Net current liabilities		<u>(408,687)</u>	<u>(333,572)</u>
Total assets less current liabilities		<u>1,090,962</u>	<u>1,136,873</u>
Creditors: amounts falling due after more than one year	16	<u>(10,737)</u>	-
Net assets		<u>1,080,225</u>	<u>1,136,873</u>
Capital and reserves			
Called up share capital	18	27,405	27,405
Share premium account	19	61,395	61,395
Merger reserve	19	120,000	120,000
Profit and loss account	19	871,425	928,073
Shareholders' funds (equity interests)	20	<u>1,080,225</u>	<u>1,136,873</u>

The financial statements on pages 6 to 23 were approved by the Board of Directors on 15th June 2007

Signed on behalf of the Board of Directors



R. Gupta
Director

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	Notes	2006 £	2005 £
Net cash inflow from operating activities	25	585,294	349,133
Returns on investments and servicing of finance	26	(13,399)	(29,353)
Taxation		(28,239)	(20,013)
Capital expenditure and financial investment	26	(64,349)	(35,765)
Acquisitions and disposals	26	(13,568)	(10,000)
Equity dividends paid		(27,405)	(27,405)
Cash inflow before management of liquid resources and financing		438,334	226,597
Financing	26	(26,052)	(42,192)
Increase in cash in the period		412,282	184,405

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2006 £	2005 £
Increase in cash in the period		412,282	184,405
Cash outflow from decrease in debt and lease financing		26,052	42,192
Change in net debt resulting from cash flows		438,334	226,597
Other non cash items			
New finance leases		(22,425)	(31,785)
Movement in net debt in the period		415,909	194,812
Net debt at 1 October 2005		(204,056)	(398,868)
Net funds/(debt) at 30 September 2006	27	211,853	(204,056)

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 30 September 2006. Intra group sales and profits are eliminated fully on consolidation. As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the company has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Turnover

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over their estimated economic lives, as follows:

Land and buildings	at 2% straight line
Plant and machinery	at 20% straight line
Fixtures and fittings	at 20% straight line
Office equipment	at 20-33% straight line
Motor vehicles	at 25% straight line

Goodwill

Goodwill arising on consolidation represents the excess or shortfall of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

For all other acquisitions both positive and negative goodwill is capitalised and amortised over its useful economic life. The estimated useful economic lives of the assets acquired are assessed on a case-by-case basis and range between 10 and 20 years.

Pensions

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

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

1 ACCOUNTING POLICIES (Continued)

Stock

Stock is valued at the lower of cost and net realisable value. Cost represents direct purchase cost plus freight costs.

Deferred taxation

Deferred tax 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.

Foreign currency translation

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

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Leased and hire purchase assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance element of the rental payment. This 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.

Operating lease costs are charged in the accounts for the period to which they relate.

Equity dividends

In line with FRS 21, dividends are now recognised in the accounts when declared. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before the approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. This change in accounting policy has not resulted in a re-statement of prior year figures as all dividends were declared and paid in year. As part of this change in accounting standard dividends are no longer disclosed on the face of the profit and loss account but are shown as a movement in reserves.

2 TURNOVER

In the year to 30 September 2006 7% (2005 6%) of the group's turnover was to markets outside the United Kingdom.

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

3 OPERATING PROFIT

Operating profit is stated after charging:	2006	2005
	£	£
Depreciation	95,535	146,533
Amortisation of goodwill	38,576	50,896
Auditors' remuneration		
- audit fees	27,509	25,704
Operating lease rentals		
- land and buildings	168,837	154,098
Loss on disposal of tangible assets	5,418	-
and after crediting:		
Profit on disposal of tangible assets	<u>18,702</u>	<u>721</u>

4 EMPLOYEES

The average number of persons employed by the group (including directors) during the year was

	2006	2005
	Number	Number
Management	8	8
Sales	23	25
Administration	18	23
Production	9	9
	<u>58</u>	<u>65</u>

The costs incurred in respect of those employed were

	2006	2005
	£	£
Wages and salaries	1,680,951	1,726,972
Social security costs	172,927	197,560
Other pension costs	66,123	45,012
	<u>1,920,001</u>	<u>1,969,544</u>

5 DIRECTORS

	2006	2005
	£	£
Aggregate emoluments	<u>190,902</u>	<u>187,131</u>
Company pension contributions to money purchase scheme	<u>47,346</u>	<u>25,704</u>

Two directors (2005 2) have benefits accruing under money purchase schemes

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

6 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005
	£	£
Bank deposit interest	4,077	1,731

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
On finance leases and hire purchase	1,732	3,312
On bank loans and overdrafts, and other loans wholly repayable within five years	15,744	27,772
	<u>17,476</u>	<u>31,084</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge

	2006	2005
	£	£
Domestic current year tax		
UK corporation tax	55,158	22,538
Adjustment for prior years	1,701	(1,665)
	<u>56,859</u>	<u>20,873</u>
Deferred tax		
Deferred tax charge	-	-
	<u>56,859</u>	<u>20,873</u>

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

(b) Factors affecting the tax charge for the year

	2006	2005
	£	£
Profit on ordinary activities before taxation	172,043	22,261
Profit on ordinary activities before taxation multiplied by standard rate UK corporation tax of 30% (2005 19.00%)	51,613	4,230
Effects of		
Non deductible expenses	3,395	2,275
Depreciation	28,660	27,553
Amortisation of goodwill	10,985	9,670
Capital allowances	(25,254)	(17,740)
Adjustment for prior years	1,701	(1,665)
Tax chargeable at lower rates	(8,414)	-
Other tax adjustments	(5,827)	(3,450)
Current tax charge	56,859	20,873

Group relief is available between all subsidiaries in the same 75% group. Payment has been made at the marginal rate of tax saved per £1 of losses so relieved.

The directors are not aware of any material factors affecting future tax charges.

9 (LOSS)/PROFIT FOR THE FINANCIAL YEAR

	2006	2005
	£	£
Dealt with in the accounts of the holding company	(29,243)	19,294

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

10 DIVIDENDS

	2006	2005
	£	£
Interim paid £1 per share (2005 £1)	<u>27,405</u>	<u>27,405</u>

11 INTANGIBLE ASSETS

GOODWILL	Negative goodwill	Positive goodwill	Total
	£	£	£
Cost			
At 1 October 2005	(23,383)	552,339	528,956
Additions	-	6,807	6,807
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	<u>(23,383)</u>	<u>559,146</u>	<u>535,763</u>
Amortisation			
At 1 October 2005	(23,383)	461,504	438,121
Charged during the year	-	38,576	38,576
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	<u>(23,383)</u>	<u>500,080</u>	<u>476,697</u>
Net book value			
At 30 September 2006	<u>-</u>	<u>59,066</u>	<u>59,066</u>
At 30 September 2005	<u>-</u>	<u>90,835</u>	<u>90,835</u>

On 31 March 2005 Arcum acquired an additional 10.1% interest in its subsidiary company Inelco Hunter Limited. The shareholding was received in exchange for the assets of the distribution arm previously traded through Hunter Cable Assembly Limited, another subsidiary company.

On 31 August 2006 Arcum acquired an additional 1.5% interest in its subsidiary company Challenger Holdings Limited. The shareholding was purchased for £13,500 in exchange for 300 £1 ordinary shares.

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

12 TANGIBLE FIXED ASSETS

GROUP

	Freehold land & buildings £	Plant & machinery £	Furniture & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 Oct 05	76,604	31,036	525,707	158,842	792,189
Additions	-	-	51,639	62,248	113,887
Disposals	-	-	(58,930)	(45,915)	(104,845)
At 30 Sept 06	<u>76,604</u>	<u>31,036</u>	<u>518,416</u>	<u>175,175</u>	<u>801,231</u>
Depreciation					
At 1 Oct 05	25,834	29,553	426,019	98,702	580,108
Charge	1,537	1,032	60,553	32,413	95,535
Disposals	-	-	(52,023)	(38,993)	(91,016)
At 30 Sept 06	<u>27,371</u>	<u>30,585</u>	<u>434,549</u>	<u>92,122</u>	<u>584,627</u>
Net book value					
At 30 Sept 06	<u>49,233</u>	<u>451</u>	<u>83,867</u>	<u>83,053</u>	<u>216,604</u>
At 30 Sept 05	<u>50,770</u>	<u>1,483</u>	<u>99,688</u>	<u>60,140</u>	<u>212,081</u>

Freehold properties were revalued at 31 August 1995 by Harrisons Chartered Surveyors on the basis of an open market valuation for existing use. The group has taken advantage of the transitional provisions in FRS15 not to update the valuation.

If land and buildings were shown at historic cost the net book value at 30 September 2006 would be £39,025 (2005 £40,295)

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

Net book value	Motor Vehicles £
At 30 September 2006	<u>51,463</u>
At 30 September 2005	<u>49,196</u>
Depreciation charge for the year	
30 September 2006	<u>25,810</u>
30 September 2005	<u>8,828</u>

ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

12 TANGIBLE FIXED ASSETS (Continued)

b) Company

	Furniture & equipment £	Motor vehicles £	Total £
Cost			
At 1 October 2005	23,167	60,016	83,183
Additions	1,812	30,467	32,279
Disposals	-	(24,704)	(24,704)
	<u>24,979</u>	<u>65,779</u>	<u>90,758</u>
Depreciation			
At 1 October 2005	16,537	46,039	62,576
Charge for year	3,372	13,271	16,643
Charge on disposals	-	(24,704)	(24,704)
	<u>19,909</u>	<u>34,606</u>	<u>54,515</u>
Net book value			
At 30 September 2006	<u>5,070</u>	<u>31,173</u>	<u>36,243</u>
At 30 September 2005	<u>6,630</u>	<u>13,977</u>	<u>20,607</u>

13 FIXED ASSET INVESTMENTS

Shares in group undertakings

	Company £	Group £
Cost		
At 1 October 2005	1,658,417	-
Additions	13,568	-
	<u>1,671,985</u>	<u>-</u>
Impairment		
At 1 October 2005	208,579	-
Charge for the year	-	-
	<u>208,579</u>	<u>-</u>
Net book value		
At 30 September 2006	<u>1,463,406</u>	<u>-</u>
At 30 September 2005	<u>1,449,838</u>	<u>-</u>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

13 FIXED ASSET INVESTMENTS (continued)

Holdings of more than 20%

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

Subsidiary undertaking	Business	Country of incorporation	Shares held Class	%
Hunter Cable Assembly Limited	Electrical	England and Wales	Ordinary	100
Peter Gray Electronics Limited	Electrical	England and Wales	Ordinary	100
Challenger Holdings Limited	Electrical	England and Wales	Ordinary	100
Challenger Components Limited	Electrical	England and Wales	Ordinary	100
Inelco Hunter Limited	Electrical	England and Wales	Ordinary	68
The Electronic Frontier Limited	Electrical	England and Wales	Ordinary	100
Protek Devices Limited	Dormant	England and Wales	Ordinary	100

The trading subsidiaries are all involved in the distribution of electronic components and solutions, cable assemblies and IT products and services

Challenger Components Limited is a wholly owned subsidiary of Challenger Holdings Limited

14 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	1,478,392	1,555,530	-	-
Amount owed by subsidiary undertakings	-	-	22,069	15,655
Other debtors	8,357	9,420	6,957	-
Prepayments and accrued income	39,895	46,170	10,088	7,625
	<u>1,526,644</u>	<u>1,611,120</u>	<u>39,114</u>	<u>23,280</u>

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
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15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Bank loans and overdrafts	240,898	463,194	105,968	141,416
Trade creditors	1,089,745	1,009,566	11,508	1,384
Other creditors	4,589	4,352	-	-
Net obligations under finance leases and hire purchase contracts	11,877	21,546	7,433	7,316
Amounts owed to subsidiary undertakings	-	-	240,898	184,675
Corporation tax	51,158	22,538	-	2,578
Other tax and social security	159,506	197,828	29,874	12,426
Accruals and deferred income	247,036	95,515	52,305	7,241
	<u>1,804,809</u>	<u>1,814,539</u>	<u>447,986</u>	<u>357,036</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Net obligation under finance leases and hire purchase contracts	11,794	5,752	10,737	-
	<u>11,794</u>	<u>5,752</u>	<u>10,737</u>	<u>-</u>

Net obligations under finance leases and hire purchase contracts

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Repayable within one year	13,159	24,029	8,260	8,043
Repayable between two and five years	13,555	6,315	12,390	-
	<u>26,714</u>	<u>30,344</u>	<u>20,650</u>	<u>8,043</u>
Finance charges and interest allocated to future accounting periods	(3,043)	(3,046)	(2,480)	(727)
	<u>23,671</u>	<u>27,298</u>	<u>18,170</u>	<u>7,316</u>
Included in liabilities falling due within one year	(11,877)	(21,546)	(7,433)	(7,316)
	<u>11,794</u>	<u>5,752</u>	<u>10,737</u>	<u>-</u>

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
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17 SECURED CREDITORS

Bank loans and overdrafts of the group are secured by debentures on the assets of the group companies

18 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
Ordinary shares of £1 each	50,000	50,000
Allotted called up and fully paid		
Ordinary shares of £1 each	27,405	27,405

19 STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £	Merger reserve £
Group			
At 1 October 2005	61,395	731,117	99,342
Profit for the year	-	52,287	-
At 30 September 2006	61,395	783,404	99,342
Company			
At 1 October 2005	61,395	928,073	120,000
Retained profit for the year	-	(56,648)	-
At 30 September 2006	61,395	871,425	120,000

Within the group merger reserve is goodwill of £20,658. This goodwill was written off as a matter of accounting policy prevailing at the time of acquisition and will be charged to the profit and loss account if the business is ever disposed of.

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	Group 2005 £	2006 £	Company 2005 £
(Loss)/Profit for the financial year	79,692	(14,900)	(29,243)	19,294
Dividends	(27,405)	(27,405)	(27,405)	(27,405)
Net effect on shareholders funds	52,287	(42,305)	(56,648)	(8,111)
Opening shareholders funds	919,259	961,564	1,136,873	1,144,984
Closing shareholders funds	971,546	919,259	1,080,225	1,136,873

ARCUM LIMITED and subsidiary companies
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21 MINORITY INTERESTS

Group

	2006	2005
	£	£
At 1 October 2005	234,717	198,618
Profit and loss account	35,492	16,288
On increase in stake	(6,761)	19,811
	<u>263,448</u>	<u>234,717</u>
Equity minority interests at 30 September 2006		

22 OPERATING LEASES

The group had annual commitments under operating leases as follows -

	Land and buildings	
	2006	2005
	£	£
Lease expiring within 1 year	67,270	-
Lease expiring 1 – 5 years	53,000	120,270
Lease expiring after 5 years	-	-
	<u>120,270</u>	<u>120,270</u>

23 CONTINGENT LIABILITIES

The group has a cross guarantee relating to a group overdraft facility of £700,000. The companies included are Arcum Limited, The Electronic Frontier Limited, Challenger Components Limited, Inelco Hunter Limited and Challenger Holdings Limited.

The following companies are subject to monthly guarantees (* represents cross guarantees) in favour of HM Customs & Excise:

The Electronic Frontier Limited - £35,000* (2005 35,000*)
 Hunter Cable Assembly Limited - £15,000 (2005 £15,000)
 Inelco Hunter Limited - £30,000* (2005 30,000*)
 Challenger Components Limited - £7,500* (2005 £7,500*)

24 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is J A H Curry by virtue of his beneficial 52.8% shareholding in the company.

ARCUM LIMITED and subsidiary companies
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25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATIONS

	2006 £	2005 £
Operating profit	185,442	51,614
Depreciation charges	95,535	146,533
Amortisation of goodwill	38,576	50,896
Profit on disposal of fixed assets	(13,284)	(721)
Decrease in stocks	934	58,378
Decrease in debtors	84,476	35,008
Increase in creditors	193,615	7,425
	<u>585,294</u>	<u>349,133</u>

26 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

Returns on investments and servicing of finance	2006 £	2005 £
Interest received	4,077	1,731
Interest paid	(15,744)	(27,772)
Interest element of finance lease rentals	(1,732)	(3,312)
	<u>(13,399)</u>	<u>(29,353)</u>

Capital expenditure and financial investment	2006 £	2005 £
Purchase of tangible fixed assets	(91,462)	(49,245)
Sale proceeds	27,113	13,480
	<u>(64,349)</u>	<u>(35,765)</u>

Acquisition and disposals	2006 £	2005 £
Deferred consideration on subsidiary undertaking	-	(10,000)
Cash paid for increase to stake of subsidiary	(13,568)	-
	<u>(13,568)</u>	<u>(10,000)</u>

Financing	2006 £	2005 £
Principal payment under finance leases	(26,052)	(42,192)

**ARCUM LIMITED AND SUBSIDIARY COMPANIES
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27 ANALYSIS OF NET DEBT

	1 Oct 2005	Cash flow	Non-cash changes	30 Sept 2006
Net cash	£	£	£	£
Cash at bank and in hand	286,436	189,986	-	476,422
Bank overdraft	(463,194)	222,296	-	(240,898)
	<u>(176,758)</u>	<u>412,282</u>	<u>-</u>	<u>235,524</u>
Debt:				
Finance leases	(27,298)	26,052	(22,425)	(23,671)
	<u>(204,056)</u>	<u>438,334</u>	<u>(22,425)</u>	<u>211,853</u>

28 SHARE OPTIONS

Mr J P S Curry and Mr R Gupta, being directors of the company, are entitled to purchase the number of shares shown below at the option prices stated

The following options were granted at an exercise price per £1 ordinary share of £60 on 1 October 2001

J P S Curry	833 options
R Gupta	1,333 options

The options can be exercised between 3 and 7 years from the date of grant Options lapse on leaving the company