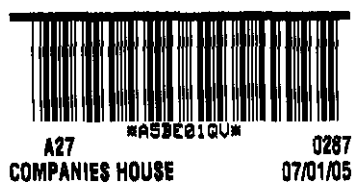


VIGLEN LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2004

Company No: 1208441



VIGLEN LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

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VIGLEN LIMITED

OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

Company registration number: 1208441

Registered office: Viglen House
Alperton Lane
Alperton
Middlesex
HA0 1DX

Directors: Sir Alan Sugar DSc
Bordan Tkachuk
Michael Ray BSc ACA

Secretary: Michael Ray

Bankers: Lloyds TSB Bank Plc
72 Lombard Street
London EC3P 3BT

Auditors: Deloitte & Touche LLP
Chartered Accountants
London

VIGLEN LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 September 2004.

Principal activities

The supply of IT solutions to the educational markets, the public sector and corporate markets. The solutions supplied incorporate the latest PC Technology, networking, software and services.

Business review and future prospects

The company continues to focus its growth on the educational markets.

Results and dividends

The results for the year are set out on page 7. The profit for the year after taxation amounted to £3,944,845 (2003: as restated: £4,677,751). On 9 December 2003 a dividend of £4,284,000 (2003: £7,426,848) was declared and paid, this represented a dividend of £428.40 per ordinary share (2003 : £742.6848 per ordinary share).

Directors and directors' interests

The current membership of the Board is set out on page 1. All directors served throughout the year. No director has or had, during the period, any interests in the shares of the company. The interests held by Sir Alan Sugar, Bordan Tkachuk and Michael Ray in the shares of the parent company are disclosed in the financial statements of Viglen Technology Limited. No director held any interest in the shares of any other company in the group.

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VIGLEN LIMITED

REPORT OF THE DIRECTORS

Payment policy

It is the company's normal practice to pay its suppliers within agreed terms provided that the suppliers meet their obligations. Trade creditors at the period end amounted to 58 days (2003:45 days) of average supplies for the year.

Political and charitable donations

Charitable donations of £nil (2003: £50,000) were made in the year. No political donations were made during the year (2003 : £nil)

Research and development

The company carries out research and development as part of its day-to-day activities in relation to its products according to the market in which it operates.

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

This is achieved through the notice boards and announcement of daily sales performance against targets.

Employment of disabled persons

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board



M E Ray
Secretary

17 December 2004

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIGLEN LIMITED

We have audited the financial statements of Viglen Limited for the year ended 30 September 2004, which comprise the statement of Principal Accounting Policies, profit and loss account, the statement of total recognised gains and losses, the balance sheet, cash flow statement and the related notes 1 to 25. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 if, in our opinion, the directors' 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

17 December 2004

VIGLEN LIMITED

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention. The principal accounting policies set out below have remained unchanged from the previous year with the exception of the changes caused by the implementation of Amendment to FRS5 (application note G) with regard to revenue recognition. Accordingly turnover in respect of extended warranties and service contracts is recognised over the life of the agreement on performance of the contractual obligations to the customer. Related costs are charged to the profit and loss account as incurred.

Turnover

Turnover comprises the invoiced value of goods sold and services supplied by the company, excluding value added tax and trade discounts.

Tangible Fixed Assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold improvements	- over life of lease
Motor vehicles	- 25% on cost
Fixtures and fittings	- 10% - 20% on cost

Equipment held at third parties as part of a managed service are depreciated over the life of the contract.

Managed Services

Assets used in providing managed services are capitalised at cost. These assets are then depreciated over the life of the contract. Revenue from these contracts is recognised over the life of the contract in line with the services provided.

Prior Year Adjustment

Revenues earned from extended warranties and service contracts were previously included in turnover in the period in which they were sold with full provision of liabilities for repair costs, which the company had assumed under these contracts. This charge has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly. The financial effects in the profit and loss account and balance sheet are set out in note 1.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

Research and development

Expenditure on research and development is charged against profits in the period in which it is incurred.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

VIGLEN LIMITED

PRINCIPAL ACCOUNTING POLICIES (continued)

Extended Warranties

Income from extended warranties is held as deferred income and released over the length of the extended warranty. Costs associated with the extended warranty are taken to profit and loss account as and when the costs are incurred.

Exemption from preparing group accounts

The financial statements contain information about Viglen Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary of Viglen Technology Limited (see note 25).

Leased assets

All current leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

VIGLEN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

		Year ended 30 September 2004	Year ended 30 September 2003 (restated)
	Note	£	£
Turnover	2	74,015,200	77,160,097
Operating costs	3	<u>(68,470,085)</u>	<u>(70,811,803)</u>
Operating profit		5,545,115	6,348,294
Net interest receivable	5	<u>146,992</u>	<u>353,788</u>
Profit on ordinary activities before taxation	6	5,692,107	6,702,082
Tax on profit on ordinary activities	7	<u>(1,747,262)</u>	<u>(2,024,331)</u>
Profit on ordinary activities after taxation		3,944,845	4,677,751
Equity dividends	8	<u>(4,284,000)</u>	<u>(7,426,848)</u>
Retained loss for the year transferred to reserves	17	<u><u>(339,155)</u></u>	<u><u>(2,749,097)</u></u>

All results are derived from continuing operations.

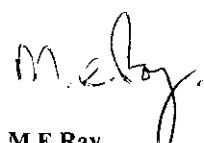
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2004

	Year ended 30 September 2004	Year ended 30 September 2003
	£	£
Loss for the financial year as previously stated	(339,155)	(2,998,239)
Prior period adjustment (as described in note 1)	(252,954)	-
Loss for the year as restated	<u><u>(592,109)</u></u>	<u><u>(2,998,239)</u></u>

VIGLEN LIMITED
BALANCE SHEET AT 30 SEPTEMBER 2004

	Note	As at 30 September 2004	As at 30 September 2003 (restated)
		£	£
Fixed assets			
Tangible assets	9	5,302,980	11,277,357
Current assets			
Stocks	10	5,035,637	4,576,189
Debtors	11	15,188,640	14,883,752
Cash at bank and in hand		<u>3,454,569</u>	<u>5,007,498</u>
		23,678,846	24,467,439
Creditors: amounts falling due within one year	12	<u>(21,579,012)</u>	<u>(26,129,331)</u>
Net current assets		<u>2,099,834</u>	<u>(1,661,892)</u>
Total assets less current liabilities		7,402,814	9,615,465
Creditors: amounts falling due after more than on year	13	(2,739,346)	(4,390,370)
Provisions for liabilities and charges	14	<u>(816,901)</u>	<u>(1,039,373)</u>
		<u>3,846,567</u>	<u>4,185,722</u>
Capital and reserves			
Called up share capital	16	10,067	10,067
Profit and loss account	17	<u>3,836,500</u>	<u>4,175,655</u>
Shareholders' funds		<u>3,846,567</u>	<u>4,185,722</u>
Equity shareholders' funds		3,836,567	4,175,722
Non equity shareholders' funds		<u>10,000</u>	<u>10,000</u>
		<u>3,846,567</u>	<u>4,185,722</u>

The financial statements were approved by the Board of Directors on 17 December 2004.


M E Ray
 Director

VIGLEN LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Year ended 30 September 2004	Year ended 30 September 2003
		£	£
Net cash inflow/(outflow) from operating activities	19	5,369,098	(7,900,296)
Return on investments and servicing of finance			
Interest received	148,746	355,872	
Interest paid	(1,754)	(2,084)	
Net cash inflow from returns on investments and servicing of finance		146,992	353,788
Taxation			
Corporation tax paid		(2,592,703)	(880,371)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(240,005)	(3,627,261)	
Sale of tangible fixed assets	47,689	30,120	
Net cash outflow from capital expenditure and financial investment		(192,316)	(3,597,141)
Equity dividends paid		(4,284,000)	(7,426,848)
Decrease in cash in the period	20	(1,552,929)	(19,450,868)

VIGLEN LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 PRIOR YEAR ADJUSTMENT

The change to accounting policy arising as detailed on page 5 has resulted in the prior year results being restated as follows:

	Turnover £	Cost of Sales £	Operating Profit £
Original	77,611,373	(71,618,996)	5,992,377
Adjustment	<u>(451,276)</u>	<u>807,193</u>	<u>355,917</u>
Restated	<u>77,160,097</u>	<u>(70,811,803)</u>	<u>6,348,294</u>

The resulting tax charge has been increased by £106,775 being 30% of £355,917.

Balance Sheet

Creditors amount falling due within one year

	Corporation Tax £	Deferred Income £
Original	(1,753,917)	(12,854,912)
Adjustment	<u>108,409</u>	<u>(3,092,424)</u>
Restated	<u>(1,645,508)</u>	<u>(15,947,336)</u>

Creditors amount falling due after more than one year

	Deferred Income £
Original	(3,538,354)
Adjustment	<u>(852,016)</u>
Restated	<u>(4,390,370)</u>

Provisions for liabilities and charges

	Provisions £
Original	(4,622,450)
Adjustment	<u>3,583,077</u>
Restated	<u>(1,039,373)</u>

The cumulative effect on reserves brought forward is a reduction of £252,954.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before taxation are attributable to the manufacturing and marketing of computers, peripherals and software. The company operates in one class of business activity. Turnover and operations arise predominantly in the UK.

VIGLEN LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2004

3 OPERATING COSTS

	Year ended 30 September 2004	Year ended 30 September 2003 (restated)
	£	£
Other operating income	(20,965)	(10,537)
Changes in work in progress and finished goods	339,818	2,202,654
Raw material and consumables	48,622,479	49,154,965
Other external charges	5,267,107	5,072,221
Staff costs	7,769,365	7,915,093
Depreciation	6,193,983	6,173,489
Profit on sale of fixed assets	(27,290)	(16,398)
Other operating charges	325,588	320,316
	<u>68,470,085</u>	<u>70,811,803</u>

4 STAFF COSTS

Staff costs during the year were as follows:

	Year ended 30 September 2004	Year ended 30 September 2003
	£	£
Wages and salaries	7,007,995	7,171,385
Social security costs	761,370	743,708
	<u>7,769,365</u>	<u>7,915,093</u>

The average number of employees of the company during the year was 242 (2003:246).

Remuneration in respect of directors was as follows:

	Year ended 30 September 2004	Year ended 30 September 2003
	£	£
Management remuneration	448,147	733,847
Pension contributions	-	-
	<u>448,147</u>	<u>733,847</u>

VIGLEN LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2004****4 STAFF COSTS (continued)**

The amounts set out above include remuneration in respect of the highest paid director as follows:

	Year ended 30 September 2004	Year ended 30 September 2003
	£	£
Highest paid director	<u>226,110</u>	<u>223,272</u>

5 NET INTEREST RECEIVABLE

	Year ended 30 September 2004	Year ended 30 September 2003
	£	£
Interest receivable	148,746	355,872
Interest payable on bank overdrafts	<u>(1,754)</u>	<u>(2,084)</u>
	<u>146,992</u>	<u>353,788</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

	Year ended 30 September 2004	Year ended 30 September 2003
	£	£
Auditors' remuneration:		
- Audit services	25,000	25,000
- Non audit services	16,000	14,090
Operating lease payments - land and buildings	915,000	915,000
Depreciation on owned assets	<u>6,193,983</u>	<u>6,173,489</u>

VIGLEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 September 2004	Year ended 30 September 2003 (restated)
	£	£
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2003 - 30%)	2,582,949	2,660,695
Adjustment in respect of prior years' tax provisions	(1,222)	-
Total current taxation	2,581,727	2,660,695
Deferred taxation		
Movement in short term timing difference	(835,817)	(636,364)
Prior year adjustments	1,352	-
Tax on profit on ordinary activities.	1,747,262	2,024,331

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%.
The actual tax charge of the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 30 September 2004	Year ended 30 September 2003 (restated)
	£	£
Profit on ordinary activities before tax	5,692,107	6,702,082
Tax on profit on ordinary activities before tax at 30% (2003: 30%)	(1,707,632)	(2,010,625)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	(4,903)	(13,706)
Capital allowances in excess of depreciation	(845,278)	(641,794)
Movement in short term differences	9,461	5,430
Group relief surrendered	4,760	-
Transfer pricing compensating adjustment	(39,357)	-
Prior period adjustments	1,222	-
Current tax charge for the year	(2,581,727)	(2,660,695)

VIGLEN LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2004

8 DIVIDENDS

On 9 December 2003 a dividend of £4,284,000 was declared and paid (2003: £7,426,848). This represented a dividend of £428.40 per ordinary share (2003 : £742.6848 per ordinary share).

9 TANGIBLE FIXED ASSETS

	Leasehold improvements	Fixtures, fittings and equipment	Managed Service Assets	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 October 2003	811,302	3,300,191	17,778,802	422,000	22,312,295
Additions	-	124,894	81,353	33,758	240,005
Disposals	-	(46,106)	(761,262)	(234,780)	(1,042,148)
At 30 September 2004	<u>811,302</u>	<u>3,378,979</u>	<u>17,098,893</u>	<u>220,978</u>	<u>21,510,152</u>
Depreciation					
At 1 October 2003	775,739	2,858,099	7,033,914	367,186	11,034,938
Disposals	-	(46,106)	(761,035)	(214,608)	(1,021,749)
Charged in the year	23,990	195,405	5,939,887	34,701	6,193,983
At 30 September 2004	<u>799,729</u>	<u>3,007,398</u>	<u>12,212,766</u>	<u>187,279</u>	<u>16,207,172</u>
Net book amount					
At 30 September 2004	<u>11,573</u>	<u>371,581</u>	<u>4,886,127</u>	<u>33,699</u>	<u>5,302,980</u>
Net book amount					
At 30 September 2003	<u>35,563</u>	<u>442,092</u>	<u>10,744,888</u>	<u>54,814</u>	<u>11,277,357</u>

During the year £15,930,730 of revenue (2003:£13,895,027) was recognised in respect of managed service assets.

10 STOCKS

	30 September 2004	30 September 2003
	£	£
Raw materials, consumables and bought in products	4,052,377	3,253,111
Work in progress and finished goods	<u>983,260</u>	<u>1,323,078</u>
	<u>5,035,637</u>	<u>4,576,189</u>

VIGLEN LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004****11 DEBTORS**

	30 September 2004	30 September 2003
	£	£
Trade debtors	13,123,916	13,405,505
Amounts owed by group undertakings	597,993	613,713
Other debtors	900	950
Corporation tax	-	259,992
Deferred tax asset (see note 15)	1,103,735	269,270
Prepayments and accrued income	362,096	334,322
	<u>15,188,640</u>	<u>14,883,752</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 September 2004	30 September 2003 (restated)
	£	£
Trade creditors	7,765,725	6,019,437
Amounts owed to group undertakings	197,680	249,855
Corporation tax	1,374,540	1,645,508
Other taxes and social security costs	2,119,867	1,471,376
Accruals	876,438	795,819
Deferred Income	9,244,762	15,947,336
	<u>21,579,012</u>	<u>26,129,331</u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 September 2004	30 September 2003 (restated)
	£	£
Deferred Income		
Falling due between 1 and 2 years	2,123,398	3,513,410
Falling due between 2 and 5 years	615,948	876,960
	<u>2,739,346</u>	<u>4,390,370</u>

VIGLEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

14 PROVISIONS FOR LIABILITIES AND CHARGES

	£ (restated)
At 1 October 2003	1,039,373
Utilised during the year	(701,286)
Provided during the year	478,814
At 30 September 2004	<u>816,901</u>

These provisions relate to the expected future cost of providing warranty support.

15 DEFERRED TAXATION

	30 September 2004 £	30 September 2003 £
Movement on deferred taxation balance in year		
Opening balance – (asset)/provision	(269,270)	367,094
Credit to profit and loss amount	<u>(834,465)</u>	<u>(636,364)</u>
	<u>(1,103,735)</u>	<u>(269,270)</u>
	30 September 2004 £	30 September 2003 £
Capital allowances in excess of depreciation	(1,094,735)	(250,809)
Short term timing differences	<u>(9,000)</u>	<u>(18,461)</u>
Deferred tax asset	<u>(1,103,735)</u>	<u>(269,270)</u>

16 CALLED UP SHARE CAPITAL

	30 September 2004 £	30 September 2003 £
Authorised, allotted, called up and fully paid		
10,000 deferred shares of £1 each	10,000	10,000
10,000 ordinary shares of \$0.01 each	<u>67</u>	<u>67</u>
	<u>10,067</u>	<u>10,067</u>

The deferred shares are classified as non-equity as they do not have voting rights attached to them and are not entitled to receive a dividend. On winding up of the company they would be redeemable at par, and they rank below ordinary shares.

17 PROFIT AND LOSS ACCOUNT

	30 September 2004 £	30 September 2003 (restated) £
At 1 October	4,175,655	6,924,752
Retained loss for the year	<u>(339,155)</u>	<u>(2,749,097)</u>
At 30 September	<u>3,836,500</u>	<u>4,175,655</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 September 2004 £	30 September 2003 (restated) £
Profit for the financial year	3,944,845	4,677,751
Dividends	<u>(4,284,000)</u>	<u>(7,426,848)</u>
Net decrease in shareholders' funds	<u>(339,155)</u>	<u>(2,749,097)</u>
Shareholders' funds at 1 October	4,185,722	6,934,819
Shareholders' funds at 30 September	<u>3,846,567</u>	<u>4,185,722</u>

VIGLEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	30 September 2004	30 September 2003 (restated)
	£	£
Operating profit	5,545,115	5,759,963
Depreciation	6,193,983	6,173,489
Profit on sale of fixed assets	(27,290)	(16,398)
(Increase)/Decrease in stocks	(459,448)	2,389,297
Decrease in debtors	269,585	3,644,988
Increase/(Decrease) in creditors	2,423,223	(18,820,047)
Decrease in deferred income	(8,353,598)	(4,815,496)
Decrease in provisions	(222,472)	(2,216,092)
Net cash inflow/(outflow) from continuing operating activities	<u>5,369,098</u>	<u>(7,900,296)</u>

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004	2003
	£	£
At 1 October	5,007,498	24,458,366
Change in net funds resulting from cash flows	<u>(1,552,929)</u>	<u>(19,450,868)</u>
At 30 September	<u>3,454,569</u>	<u>5,007,498</u>

21 ANALYSIS OF CHANGES IN NET FUNDS

	30 September 2004	Cash flow	30 September 2003
	£	£	£
Cash in bank and in hand	<u>3,454,569</u>	<u>(1,552,929)</u>	<u>5,007,498</u>

22 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2004 (2003:£nil).

23 LEASING COMMITMENTS

At 30 September 2004 the company had an annual operating lease commitment of £ 916,485 (2003:£915,000). The operating leases to which these amounts relate expire as follows:

	30 September 2004	30 September 2003
	Land and buildings	Land and buildings
	£	£
In one year or less	466,485	-
Between one and five years	-	465,000
Over five years	<u>450,000</u>	<u>450,000</u>
	<u>916,485</u>	<u>915,000</u>

VIGLEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

24 RELATED PARTY TRANSACTION

The company's headquarters, Viglen House, is owned by Amsprop Estates Limited a company wholly owned by Sir Alan Sugar. On 1 December 2002 the company signed a fifteen year lease agreement on Viglen House for an annual rent of £450,000.

During the year Viglen Limited purchased services worth £134,395 and sold services worth £34,124 to IntY Limited.

25 PARENT COMPANY AND CONTROLLING PARTY

Viglen Technology Limited, incorporated in Great Britain, is the company's parent company. The ultimate parent company is Amsprop London Limited, a company incorporated in Great Britain. Consolidated accounts are prepared by Amsprop London Limited. Copies of the accounts for both of these companies can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ. The ultimate controlling party is Sir Alan Sugar.

The company has taken advantage of the exemptions conferred by Financial Reporting Standard Number 8 "Related Party Disclosures", in respect of transactions with group undertakings.

There is an amount receivable from Amstrad plc at 30 September 2004 of £5,201 and an amount receivable from Amsprop Limited of £2,054.