

Company Registration No. 2344929

Amsprop London Limited

Report and Financial Statements

30 September 2006



Amsprop London Limited

Report and financial statements 2006

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Amsprop London Limited

Report and financial statements 2006

Officers and professional advisers

Directors

Sir Alan Sugar
Lady Ann Sugar
Colin T Sandy
Louise J Baron
Andrew N Cohen
Daniel Sugar
Simon Sugar

Secretary

Colin T Sandy

Registered Office

Brentwood House
169 Kings Road
Brentwood
Essex
CM14 4EF

Bankers

Credit Suisse (UK) Limited
Five Cabot Square
London
E14 4QR

Lloyds TSB Bank plc
City Office
11-15 Monument Street
London EC3V 9JA

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Amsprop London Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006.

Principal activities

The principal activity of the company is the holding of investment property and investing in companies in the IT Sector.

Review of Business

During the year the company expanded its property portfolio. The company is the ultimate parent company of Viglen Technology Limited, Viglen Limited, Xenon Network Services Limited and Vigecom Limited. The company also indirectly has two associated companies Pedegog Limited (trading as AtSchool) and Inty Limited. Pedegog Limited has not been consolidated on the grounds of materiality.

The key performance indicators used by management in assessing the success of the company are net income from properties and investments which grew from £397,455 in 2005 to £421,183 in 2006. Capital growth of properties which grew by £2,103,280 in the year (2005: £705,000). The company's investment in the Viglen Technology Limited group of companies is measured by the total return after taxation, this grew by 19.9% to £2,859,161 in 2006 (2005: £2,384,586).

Principal risks and uncertainties

Risk is present in all businesses and the Board regularly reviews the risks faced by the company.

The Directors consider that the major risks and uncertainties to the group at this point in time are:

- Exchange rate risk. The group principally sells in sterling and buys in dollars. Therefore, there is a risk in terms of adverse exchange rate movements. The group mitigates this risk by hedging its exposure through the forward purchase of dollars. Additionally the company produces a new price list monthly. The forward exchange rate exposure, unhedged, is therefore limited to one month's sales.
- Interest rate risk. The group has an external bank loan. Therefore, there is a risk in terms of adverse interest rate movements. The directors are satisfied that the risk is not significant to the company and therefore no mitigating procedures are necessary.
- Warranty. The group sells the majority of its products with between one and three years warranty support. A warranty provision is made on every product sold to cover the basic forecast of repairing the product. The amount that is provided is an estimate based on past experience, but by its nature does involve inherent risk and uncertainty. In addition, sales of enhanced warranty products also carry an inherent risk. Income on these sales is deferred over the period of cover with the costs of providing the service being taken as and when the cost is incurred.
- Market uncertainties. The IT industry continues to go through rapid changes. This in itself presents opportunities and uncertainties. The margins on hardware continue to be under pressure with the future being focused on high margin solutions and value added services.
- Supply of components. There are times where components are in short supply with long lead times. The group's offering to its customers is to supply tailor-made solutions with short lead-times. This can cause problems during industry shortages. The group reduce this risk by, where possible:
 - multi sourcing components
 - strong, long-term supplier relationships
 - planning and forecasting component requirements

Amsprop London Limited

Directors' report (continued)

- Property prices are at an all time high which could result in the company acquiring overpriced properties which could subsequently result in little or no growth. The estates team are fully aware of this and consequently will remain diligent in seeking acquisitions that can provide future growth from active management

The group regularly reviews the situation and adjusts its plan accordingly.

Results

The results for the year are set out on page 8. The group profit after taxation amounted to £3,802,209 (2005:£3,224,210).

Viglen

Viglen is a successful IT company, which principally focuses on the education market. It has made a significant contribution to the group's profit for the year to 30 September 2006.

Xenon

Xenon continues to support the Viglen business through its national engineering base. The company also continues to win support contracts, mainly within higher education, and to design, install and support large Storage Area Networks.

IntY

IntY made a small loss during the year. The company has a positive balance sheet and has cash reserves.

AtSchool

The company has made a small profit in the year. It continues to look for ways to expand its customer base and to capitalise on schools e-learning credits.

Vigecom

Vigecom did not trade during the year. It is used as the holding company for its 26% investment in IntY Limited.

Dividends

The directors do not propose payment of a dividend (2005:£nil).

Future prospects

There are no planned changes to the company's activities.

Employees

Detail of the number of employees and related costs can be found in note 4 to the financial statements.

It is the group's policy to promote equal opportunities in employment for both existing employees and applicants for employment. Every effort is made to ensure that applications for employment from disabled persons are fully and fairly considered having regard to their particular aptitudes and abilities and that disabled employees have equal opportunities in career development. In the event of an existing employee becoming disabled, every effort is made to ensure that their employment by the group continues and that appropriate adjustments are made to their work environment.

The group 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 group. This is achieved through regular announcements via the notice boards of the group's performance.

Amsprop London Limited

Directors' report (continued)

Environment

The group seeks to minimise the environmental impact of its business and to operate in accordance with the standards required by law and codes of best practise. The Restriction of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") Directive came into effect on 1 July 2006 and prohibits the use of lead solder and certain other restricted substances. The company's products imported after this date comply with the RoHS Directive.

The Waste Electrical and Electronic Equipment ("WEEE") Directive is due to be adopted in the UK on 1 July 2007. This directive sets goals for the recycling of electrical goods. The group currently has the ability to offer all the services required under this directive, and does provide these services to some of its customers.

The group continues to review its processes and their environmental impact. These include the launching of the Enviro Quiet range of products which have reduced energy requirement and lower noise emissions. The use of re-usable heavy duty boxes in delivery of our products saves raw materials in packaging recycling the boxes.

The group maintains an environmental web-site to share information with customers, partners and suppliers. This can be found at www.enviroquiet.co.uk.

Directors and their interests

The directors who are listed on page 1 held office throughout the year.

The following directors who held office at 30 September 2006 had interests in shares of the company:

	Ordinary shares of £1 each	
	2006	2005
Sir Alan M Sugar	41,490,000	41,490,000

Colin Sandy holds an interest in 200 ordinary shares in Viglen Technology Limited. The other directors did not have any interests in the shares of the company or any other group company throughout the year ended 30 September 2006.

Payment Policy

It is the company's normal practice to pay its suppliers within the agreed payment terms provided that the suppliers meet their obligations. Trade creditors at the year end amounted to 70 days (2005: 63 days).

Political and Charitable Donations

The group made Charitable donations of £nil (2005:£nil) during the year. No political donations were made (2005:£nil).

Amsprop London Limited

Directors' report (continued)

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985. 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;
- state whether applicable accounting standards have been followed; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

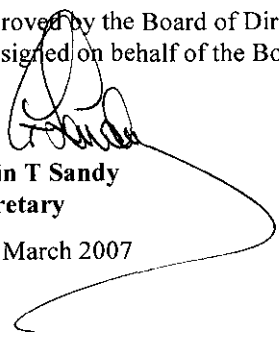
Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are aware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

Deloitte and Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them and to authorise the directors to agree their remuneration will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Colin T Sandy
Secretary

30th March 2007

Independent auditors' report to the members of Amsprop London Limited

We have audited the financial statements of Amsprop London Limited for the year ended 30 September 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 32. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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 financial statements. It also includes an assessment of the significant estimates and judgments 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.

Independent auditors' report to the members of Amsprop London Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 30 September 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

30 March 2007

Amsprop London Limited

Consolidated profit and loss account Year ended 30 September 2006

		Year ended 30 September 2006 £	As restated (see note 1) Year ended 30 September 2005 £
	Note		
Turnover	2	52,001,086	65,587,416
Operating costs	3	(47,339,250)	(61,832,631)
Operating profit		4,661,836	3,754,785
Share of (loss) / profit in associated undertakings	10	(8,908)	105,041
Profit on ordinary activities before interest		4,652,928	3,859,826
Net interest income	5	659,582	626,608
Profit on ordinary activities before taxation	6	5,312,510	4,486,434
Tax on profit on ordinary activities	7	(1,510,301)	(1,262,224)
Profit for the financial year after taxation		3,802,209	3,224,210
Equity minority interest	25	(465,248)	(861,165)
Retained profit for the year transferred to reserves	21	3,336,961	2,363,045

All results are derived from continuing operations.

Consolidated statement of total recognised gains and losses Year ended 30 September 2006

	Year ended 30 September 2006 £	As restated (see note 1) Year ended 30 September 2005 £
Profit for the financial period	3,336,961	2,363,045
Unrealised surplus on revaluation of property	2,103,280	705,000
Total recognised gains and losses relating to the year	5,440,241	3,068,045

Amsprop London Limited

Consolidated balance sheet 30 September 2006

		As at 30 September 2006 £	As restated (see note 1) As at 30 September 2005 £
	Note		
Fixed assets			
Investment property	8	12,572,500	7,819,000
Fixed assets	9	737,905	603,281
Investments	11	130,347	139,255
Goodwill	12	3,662,602	4,253,606
		<hr/> 17,103,354	<hr/> 12,815,142
Current assets			
Stocks	13	4,702,097	6,254,083
Debtors	14	11,028,680	13,862,479
Investments	15	372,158	441,159
Cash at bank and in hand		15,710,834	12,925,321
		<hr/> 31,813,769	<hr/> 33,483,042
Creditors: amounts falling due within one year	16	(12,574,510)	(15,853,573)
Net current assets		<hr/> 19,239,259	<hr/> 17,629,469
Total assets less current liabilities		<hr/> 36,342,613	<hr/> 30,444,611
Creditors: amounts falling due after more than one year	17	(8,409,715)	(7,440,058)
Provisions for liabilities and charges	19	(1,592,477)	(1,825,621)
Net assets		<hr/> <hr/> 26,403,421	<hr/> <hr/> 21,178,932
Capital and reserves			
Called up share capital	20	41,490,000	41,490,000
Profit and loss account	21	(19,453,060)	(22,790,021)
Revaluation reserve	23	3,398,898	1,295,618
Equity shareholders' funds	24	<hr/> 25,435,838	<hr/> 19,995,597
Equity minority interest	26	<hr/> 967,583	<hr/> 1,183,335
Total capital employed	25	<hr/> <hr/> 26,403,421	<hr/> <hr/> 21,178,932

These financial statements were approved by the Board of Directors on 30th March 2007.

Signed on behalf of the Board of Directors

Colin T. Sandy
Director

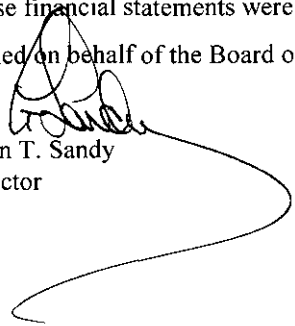
Amsprop London Limited

Company balance sheet 30 September 2006

	Note	As at 30 September 2006 £	As at 30 September 2005 £
Tangible fixed assets			
Investment property	8	12,572,500	7,819,000
Investments	10	7,000	7,000
		<u>12,579,500</u>	<u>7,826,000</u>
Current assets			
Debtors	14	494,731	37,400
Investments	15	372,158	441,159
Cash at bank and in hand		9,869,777	10,506,778
		<u>10,736,666</u>	<u>10,985,337</u>
Creditors: amounts falling due within one year	16	(131,018)	(261,516)
Net current assets		<u>10,605,648</u>	<u>10,723,821</u>
Total assets less current liabilities		<u>23,185,148</u>	<u>18,549,821</u>
Capital and reserves			
Called up share capital	20	41,490,000	41,490,000
Profit and loss account	21	(21,703,750)	(24,235,797)
Revaluation reserve	23	3,398,898	1,295,618
Equity shareholders' funds	24	<u>23,185,148</u>	<u>18,549,821</u>

These financial statements were approved by the Board of Directors on 30th March 2007.

Signed on behalf of the Board of Directors


Colin T. Sandy
Director

Amsprop London Limited

Consolidated cash flow statement Year ended 30 September 2006

		Year ended 30 September 2006 £	Year ended 30 September 2005 £
	Note		
Net cash inflow from operating activities	27	3,734,946	3,438,171
Returns on investments and servicing of finance			
Interest received		771,066	693,228
Interest paid		(55,574)	(10,710)
Dividends paid on preference shares		(55,910)	(55,910)
Dividends paid to minority interests	26	(681,000)	(870,000)
Net cash outflow from returns on investments and servicing of finance		(21,418)	(243,392)
Taxation			
Corporation tax paid		(1,059,325)	(2,650,945)
Capital expenditure and financial investment			
Purchase of investment properties		(2,650,220)	-
Purchase of tangible fixed assets		(494,171)	(105,359)
Sale of tangible fixed assets		1,950,211	562,795
Net cash (outflow) / inflow from capital expenditure and financial investment		(1,194,180)	457,436
Financing			
Drawdown on loans due within one year		300,000	-
Drawdown on loans due after one year		1,050,000	-
Capital element of finance lease rental payment		(24,510)	-
Net cash inflow from financing		1,325,490	-
Increase in cash in the year		2,785,513	1,001,270

Amsprop London Limited

Consolidated cash flow statement Year ended 30 September 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and applicable accounting standards. Compliance with SSAP 19 "Accounting for investment properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below. The principal accounting policies set out below have remained unchanged from the year except for the adoption of FRS21 and FRS25 as stated below.

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of certain freehold properties.

Events after the balance sheet date

FRS 21 "Events after the balance sheet date" is applicable for accounting periods beginning on or after 1 January 2005. The main impact of FRS 21 is that dividends declared to holders of equity instruments after the balance sheet date are not recognised as a liability at the balance sheet date. As this constitutes a change in accounting policy, the comparative amounts in the financial statements are required to be restated in accordance with FRS 3 "Reporting Financial Performance". There has been no impact on the financial statements of the company for the current or previous period.

Preference Shares

FRS 25 "Financial Instruments: Disclosure and Presentation" is applicable for accounting periods beginning on or after 1 January 2005. The main impact of FRS 25 is that preference shares are recognised as a liability rather than within equity. As this constitutes a change in accounting policy, the comparative amounts in the financial statements are required to be restated. This has had the effect of reducing capital employed by £5,591,000, it had no effect on retained profit in the current or prior year.

Turnover

Turnover comprises the invoiced value of goods sold and services supplied by the group, excluding value added tax and trade discounts. Included within turnover is £1,945,461 (2005: £535,845) in respect of the sale of fixed assets from managed services.

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 the shorter of the life of the lease and the useful life
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.

Consolidation

The group financial statements consolidate those of the company and all subsidiaries. On the acquisition of a business, including interests in associated undertakings, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition and amortised over its estimated useful economic life, which is 10 years. Provision is made for any impairment.

Amsprop London Limited

Consolidated cash flow statement Year ended 30 September 2006

1. Accounting policies (continued)

Investment properties

In accordance with SSAP 19, investment properties are revalued annually internally and externally every five years and the aggregate surplus or deficit is transferred to revaluation reserve. Any diminution in value, which is believed to be permanent, is written off to the profit and loss account in the year in which it arises. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

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.

Investments

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of the pre-tax results and attributable taxation of the associated undertakings based on audited financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the group's share of the net assets of the associated undertakings. Goodwill arising on the acquisition of an associate is capitalised as part of the carrying amount in the consolidated balance sheet and amortised over its estimated useful economic life, which is 10 years.

Fixed asset investments

Fixed asset investments are shown at cost less provision for any impairment.

Current asset investments

Current asset investments are held at market value.

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 year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. 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.

Amsprop London Limited

Consolidated cash flow statement Year ended 30 September 2006

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Contributions to pension funds

The company operates a defined contribution pension scheme in respect of certain employees and pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Amsprop London Limited

Consolidated cash flow statement Year ended 30 September 2006

1. Accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Borrowings

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes. Gains and losses on contracts hedging forecast transactional cash flows of foreign currency denominated costs are recognised in the hedged periods. There are no open forward contracts at the balance sheet date.

2. Turnover and segmental results

Turnover, net assets and operating profit on ordinary activities before taxation are attributable to the manufacturing and marketing of computers, peripherals and software and the management of networked solutions. Additionally turnover is also derived from the sale of current asset investments, which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and operating profit arise predominantly within the UK. Included within turnover is £1,945,461 (2005:£535,845) in respect of sales of fixed assets from managed services. Turnover, operating profit and loss assets are analysed as follows:

	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Turnover		
IT Market	51,235,767	65,025,041
Property and shares	765,319	562,37
	<hr/> 52,001,086	<hr/> 65,587,416
Operating profit		
IT Market	4,240,653	3,357,330
Property and shares	421,183	397,455
	<hr/> 4,661,836	<hr/> 3,754,785
Net assets		
IT Market	3,218,273	2,629,111
Property and shares	23,185,148	18,549,821
	<hr/> 26,403,421	<hr/> 21,178,932

Amsprop London Limited

Consolidated cash flow statement Year ended 30 September 2006

3. Operating costs

	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Other operating income	27,325	4,765
Changes in work in progress and finished goods	(362,529)	366,936
Raw materials and consumables	(30,913,505)	(40,594,267)
Other external charges	(5,604,626)	(6,243,120)
Staff costs	(9,842,891)	(9,988,990)
Depreciation	(463,259)	(4,729,243)
(Loss)/Profit on sale of fixed assets	(31,539)	21,802
Amortisation of goodwill	(591,004)	(591,004)
Other operating charges	(97,222)	(79,510)
	<u>(47,339,250)</u>	<u>(61,832,631)</u>

4. Staff costs

Staff costs for the group, including directors, during the year were as follows:

	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Wages and salaries	8,846,258	8,891,395
Social security costs	957,510	968,102
Pension costs	39,123	39,493
	<u>9,842,891</u>	<u>9,898,990</u>

The average number of employees of the group during the year, including directors, was 285 (2005: 311).

The company had no employees during the year (2005:nil)

Remuneration in respect of directors was as follows:

	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Directors' emoluments	<u>106,090</u>	<u>103,000</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

5. Net interest income

	Year ended 30 September 2006 £	As restated (see note 1) As at 30 September 2005 £
Interest receivable and similar income	771,066	693,228
Interest payable and similar charges	(47,063)	(10,710)
Interest payable on finance leases	(8,511)	-
Preference dividend	(55,910)	(55,910)
Net interest income	<u>659,582</u>	<u>626,608</u>

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is after charging:

	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Auditors' remuneration		
Audit fees – company	5,000	5,000
– subsidiaries	46,000	44,975
– tax	13,900	20,800
	<u>64,900</u>	<u>70,775</u>
Operating lease payment		
Plant and machinery	70,912	134,936
Land and buildings	1,027,849	1,020,089
Profit on sales of fixed assets	(1,913,921)	(323,135)
Depreciation of fixed assets	463,257	4,729,243
Amortisation of goodwill	591,004	591,004
Relocation costs	<u>625,000</u>	<u>740,000</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

7. Tax on profit on ordinary activities

	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Group		
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2005: 30%)	(518,821)	(1,327,801)
Adjustment in respect of prior years' tax provisions	359	-
	<hr/>	<hr/>
Total current taxation	(518,462)	(1,327,801)
Deferred taxation		
Movement in short-term timing difference	(993,001)	65,577
Prior year adjustments	1,162	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>(1,510,301)</u>	<u>(1,262,224)</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

7. Tax on profit on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 – 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:

Group	Year ended 30 September 2006 £	Year ended 30 September 2005 £
Profit on ordinary activities before tax	5,312,510	4,486,434
Tax on profit on ordinary activities before tax at standard rate	(1,593,753)	(1,345,930)
Factors affecting charge for the year:		
Permanent differences	(4,266)	(6,367)
Capital allowances in excess of depreciation	971,221	(53,367)
Utilisation of brought forward losses	282,913	251,887
Other timing differences	21,810	(12,210)
Other differences	(196,746)	(162,562)
Prior year adjustments	359	-
Marginal relief	-	748
Current tax charge for the year	(518,462)	(1,327,801)

Deferred tax on the revaluation of fixed assets estimated to be £1,019,669 (2005:£388,685) has not been provided. This is due to capital losses carried forward of £22,007,071. Deferred tax asset is not provided on the excess management expenses of £7,340,988 nor the Schedule D Case VI losses of £169,334 as they are unlikely to be utilised in the foreseeable future.

8. Investment property

	Freehold £
Group and company	
Valuation and net book value	
At 1 October 2005	7,819,000
Additions	2,650,220
Net surplus and revaluations during the year	2,103,280
At 30 September 2006	12,572,500
Representing:	
Properties valued	
Cost	9,173,602
Net surplus	3,398,898
	12,572,500

The investment properties were valued by the directors at 30 September 2006 on an open market basis.

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

9. Tangible fixed assets

	Leasehold improvements £	Managed service assets £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 October 2005	14,000	9,526,244	4,137,445	364,228	14,041,917
Additions	275,578	-	325,850	32,743	634,171
Disposals	-	(9,526,244)	(1,632,264)	(33,801)	(11,192,309)
At 30 September 2006	289,578	-	2,831,031	363,170	3,483,779
Depreciation					
At 1 October 2005	12,000	9,307,444	3,826,042	293,150	13,438,636
Disposals	-	(9,526,244)	(1,595,974)	(33,801)	(11,156,019)
Charged in the year	24,738	218,800	171,391	48,328	463,257
At 30 September 2006	36,738	-	2,401,459	307,677	2,745,874
Net book value					
At 30 September 2006	252,840	-	429,572	55,493	737,905
At 30 September 2005	2,000	218,800	311,403	71,078	603,281

During the year £7,994,753 of revenue (2005: £13,311,081) was recognised in respect of managed service assets. Included within the net book value of £737,905 is £128,333 relating to assets held on finance leases (2005: £nil). The depreciation charged in the year on these assets was £11,667 (2005: £nil).

10. Fixed asset investments

Group

The group's associated undertakings at 30 September 2006 were a 26% shareholding in IntY Limited and a 49% shareholding in Pedegog Limited (trading as AtSchool); both companies are incorporated in Great Britain. The Directors believe that Pedegog Limited is immaterial to the group accounts, and has not been equity accounted for on the grounds of materiality.

Company

£

Investment in subsidiary

Cost and net book value

At 1 October 2005 and 30 September 2006

7,000

The subsidiary investment at 30 September 2006 is a 70% shareholding in the ordinary share capital of Viglen Technology Limited.

The company's principal subsidiary undertakings are Viglen Limited, Xenon Network Services Limited, Vigecom Limited and Viglen Technology Limited, which all operate in the United Kingdom and engage in the group's principal activity. Viglen Technology Limited wholly owns Viglen Limited, Xenon Network Services Limited and Vigecom Limited.

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

11. Investments

The share of the net assets of associate company relates to the investment in Inty Limited. The group's share of the losses from Inty Limited was £8,908 during the year. When added to the brought forward asset of £139,255 this resulted in an asset of £130,347.

12. Goodwill

On 11 December 2002 the company acquired a 70% interest in Viglen Technology Limited and as a result of the acquisition goodwill of £5,910,036 was generated. This is being amortised over ten years from 11 December 2002.

Group	Cost £	Amortisation £	Net book value £
At 1 October 2005	5,910,036	(1,656,430)	4,253,606
Amortisation during year	-	(591,004)	(591,004)
At 30 September 2006	<u>5,910,036</u>	<u>(2,247,434)</u>	<u>3,662,602</u>

13. Stocks

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Raw materials, consumables and bought in products	3,680,808	4,881,073	-	-
Work in progress and finished goods	<u>1,021,289</u>	<u>1,373,010</u>	<u>-</u>	<u>-</u>
	<u>4,702,097</u>	<u>6,254,083</u>	<u>-</u>	<u>-</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

14. Debtors

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade debtors	8,693,911	12,274,261	22,796	30,804
Other debtors	559,571	67,863	442,250	530
Prepayments and accrued income	280,244	306,145	29,685	6,066
Corporation tax	<u>472,582</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due within one year	<u>10,006,308</u>	<u>12,648,269</u>	<u>494,731</u>	<u>37,400</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

14. Debtors (continued)

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Other debtors	800,000	-	-	-
Deferred tax (see note 18)	222,372	1,214,210	-	-
	<u>1,022,372</u>	<u>1,214,210</u>	<u>-</u>	<u>-</u>
Due after more than one year				
	<u>1,022,372</u>	<u>1,214,210</u>	<u>-</u>	<u>-</u>
Total Debtors	<u>11,028,680</u>	<u>13,862,479</u>	<u>494,731</u>	<u>37,400</u>

15. Current asset investments

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Shares at market value	<u>372,158</u>	<u>441,159</u>	<u>372,158</u>	<u>441,159</u>

The investments are all shares traded on a recognised stock exchange and are held at market value on 30 September 2006.

16. Creditors: amounts falling due within one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade creditors	6,938,491	7,014,529	1,243	-
Bank loans and overdrafts	300,000	-	-	-
Obligations under finance lease	33,021	-	-	-
Corporation tax	56,284	124,564	-	-
Other taxes and social security costs	1,012,071	1,436,432	-	-
Accruals	1,473,132	984,918	129,775	261,516
Deferred income	2,761,511	6,293,130	-	-
	<u>12,574,510</u>	<u>15,853,573</u>	<u>131,018</u>	<u>261,516</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

17. Creditors: Amounts falling due after more than one year

	Group 2006 £	As restated (see note 1) Group 2005 £	Company 2006 £	Company 2005 £
Falling due between one and two years				
Bank loan	300,000	-	-	-
Deferred income	1,127,601	1,339,241	-	-
Obligations under finance lease	33,021	-	-	-
Falling due between two and five years				
Bank loan	750,000	-	-	-
Deferred income	558,645	509,817	-	-
Obligations under finance lease	49,448	-	-	-
Falling due after five years				
1% fixed coupon cumulative redeemable preference shares of £1 each	5,591,000	5,591,000	-	-
	<u>8,409,715</u>	<u>7,440,058</u>	<u>-</u>	<u>-</u>

The bank loan is repayable over five years from the date of issue. Interest of 1.15% above the Base Rate is charged on the unpaid balance. The loan is secured by a guarantee from the company's ultimate controlling party.

Cumulative redeemable preference shares carry an entitlement to dividend at the rate 1% per annum, payable on 1 October every year and may be redeemed at £1 per share at any time at the option of the company. In the event of the issue of a Controlling Interest Notice the company must redeem all the preference shares then in issue. Holders of the redeemable preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividend. Preference shares have no voting rights attached to them. There is no premium payable on redemption.

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

18. Deferred tax asset

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Movement on deferred taxation				
At 1 October 2005	(1,214,210)	(1,148,633)	-	-
Credit to profit and loss account	991,838	(65,577)	-	-
At 30 September 2006	<u>(222,372)</u>	<u>(1,214,210)</u>	<u>-</u>	<u>-</u>
	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Capital allowances in excess of depreciation	(222,372)	(1,192,400)	-	-
Short term timing differences	-	(21,810)	-	-
	<u>(222,372)</u>	<u>(1,214,210)</u>	<u>-</u>	<u>-</u>

19. Provision for liabilities

	Warranty £	Other £	Total £
At 1 October 2005	717,561	1,108,060	1,825,621
Utilised during the year	(565,149)	(740,000)	(1,305,149)
Provided during the year	384,005	625,000	1,009,005
At 30 September 2006	<u>536,417</u>	<u>993,060</u>	<u>1,529,477</u>

The warranty provision relates to the expected future cost of providing warranty support. Other provisions are principally in respect of property obligations.

20. Called up share capital

	30 September 2006		30 September 2005	
	Ordinary shares of £1 each Number	£	Ordinary shares of £1 each Number	£
Authorised	50,000,000	50,000,000	50,000,000	50,000,000
Called up, allotted and fully paid	<u>41,490,000</u>	<u>41,490,000</u>	<u>41,490,000</u>	<u>41,490,000</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

21. Profit and loss account

	Group £	Company £
At 1 October 2005	(22,790,021)	(24,235,797)
Retained profit for the period	3,336,961	2,532,047
	<hr/>	<hr/>
At 30 September 2006	(19,453,060)	(21,703,750)
	<hr/>	<hr/>

22. Profit for the financial period

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit after taxation for the financial period amounts to £2,532,047 (2005: £2,958,823).

23. Revaluation reserve

	Group £	Company £
At 1 October 2005	1,295,618	1,295,618
Surplus on revaluations during the year	2,103,280	2,103,280
	<hr/>	<hr/>
At 30 September 2006	3,398,898	3,398,898
	<hr/>	<hr/>

24. Reconciliation of movements in shareholders' funds

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Opening shareholders' funds	19,995,597	16,927,552	18,549,821	14,975,197
Profit for the financial year	3,336,961	2,363,045	2,532,047	2,869,624
Surplus on valuation during the year	2,103,280	705,000	2,103,280	705,000
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	25,435,838	19,995,597	23,185,148	18,549,821
	<hr/>	<hr/>	<hr/>	<hr/>

25. Reconciliation of movement in capital employed due to adoption of FRS 25 "Financial Instruments Disclosure and Presentation"

	Group £
Opening capital employed as previously stated	26,769,932
Prior year adjustment (see note 1)	(5,591,000)
	<hr/>
Opening capital employed as restated	21,178,932
	<hr/>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

26. Minority interests

	Total £
At 1 October 2005	1,183,335
Profit on ordinary activities after taxation	857,748
Adjustment in respect of cumulative goodwill amortisation	(392,500)
Profit attributable to minority interests for the year	465,248
Dividend paid	(681,000)
At 30 September 2006	<u>967,583</u>

27. Net cash inflow from operating activities

	2006 £	2005 £
Operating profit	4,661,836	3,754,785
Amortisation of goodwill	591,004	591,004
Depreciation	463,257	4,729,243
Profit on sales of fixed assets	(1,913,921)	(323,135)
Decrease/(increase) in stocks	1,551,986	(812,472)
Decrease in debtors	2,314,543	1,802,107
Decrease in creditors	(12,185)	(2,602,706)
Increase/(decrease) in investments	69,001	(352,125)
Decrease in deferred income	(3,694,431)	(3,989,190)
(Decrease)/increase in provisions	(296,144)	640,660
Net cash inflow from continuing operating activities	<u>3,734,946</u>	<u>3,438,171</u>

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

28. Reconciliation of net cash flow to movement in net funds

	2006 £	2005 £
Increase/(decrease) in cash in the year	2,785,513	1,001,270
Cash inflow from increase in debt and lease finance	(1,325,490)	-
Change in net funds resulting from cash flows	1,460,023	1,001,270
New finance leases	(140,000)	-
Change in net funds	1,320,023	1,001,270
Opening net funds	12,925,321	11,924,051
Closing net funds	14,245,344	12,925,321

29. Analysis of changes in net funds

	30 September 2005 £	Cash flow £	Other non-cash changes £	30 September 2006 £
Cash in bank and in hand	12,925,321	2,785,513	-	15,710,834
Debt due within a year	-	(300,000)	-	(300,000)
Debt due after a year	-	(1,050,000)	-	(1,050,000)
New finance leases	-	24,510	(140,000)	(115,490)
Closing shareholders' funds	12,925,321	1,460,023	(140,000)	14,245,344

30. Leasing commitments

At 30 September 2006 the group has annual non-cancellable lease commitments, which expire:

	2006		2005	
	Land and buildings	Other £	Land and buildings	Other £
In one year or less	775	2,306	82,391	6,128
Between one and two years	34,592	-	34,592	-
Between two and five years	71,694	10,881	70,517	13,590
Over five years	1,060,500	-	1,060,500	-
	1,167,561	13,187	1,248,000	19,718

Amsprop London Limited

Notes to the accounts Year ended 30 September 2006

31. Post balance sheet event

On 20th October 2006 the company sold an investment property with a net book value of £2.7m, for a value of £3.6m. This will give rise to a profit on disposal of £0.9m in the financial year ended 30 September 2007.

32. Related party transactions

The company is controlled by Sir Alan Sugar, who owns 100% of the issued share capital.

By reason of Sir Alan Sugar's indirect ownership of 76% of the ordinary shares of Amsprop Limited, Amsprop Estates Limited and Amsprop Investments Limited, 27.8% of ordinary shares of Amstrad plc and indirect ownership of 100% of the ordinary shares of Amshold Securities Limited, Sir Alan Sugar has an interest in the following contracts between Amsprop London Limited and its subsidiaries and those companies:

1. During the year the group provided £12,948 plus VAT (2005:£13,421 plus VAT) of services to Amstrad plc.
2. The group signed a fifteen year lease for the use of Viglen House in December 2002. During the year £450,000 (2005: £450,000) was paid in rent to Amsprop Investments Limited.
3. During the year Amsprop London Limited was charged £25,000 plus VAT (2005:£25,000 plus VAT) by Amsprop Estates Limited for financial services.
4. During the year the group provided £5,330 plus VAT (2005:£5,019 plus VAT) of services to Amsprop Limited. There is an amount receivable from Amsprop Limited at 30 September of £2,435.