

AMSTRAD SATELLITE PRODUCTS LIMITED

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2004

Company Number: 3341215



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The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2004.

Principal activities

The principal activities of the Company are the design, development, marketing and distribution of satellite products.

Review of business and future prospects

The sales of standard digital decoders (set top boxes) were higher in volume terms than last year and in addition in March we commenced selling Sky + set top boxes. This new product is a personal video recorder (PVR) incorporating a hard disc drive in a set top box. Initial volumes have been very encouraging and we view this product as one of the best innovations to have been introduced to the consumer electronics market in the last few years.

At the end of April 2004 we were pleased to announce an order to supply digital satellite set top boxes to the Italian broadcaster, Sky Italia. Deliveries of this product commenced in early August 2004 ahead of schedule demonstrating our ability to develop and bring to market a new product in a very short period of time. We see the Italian market as being a very important fast growing digital TV market and we are pleased to be a key supplier to Sky Italia.

We have standard set top box and PVR orders in place for the current financial year for all of our markets. We will continue to focus on driving down unit costs and developing new units both for the UK market and other markets. We are in a strong position due to the lower level of overheads we have when competing with other set top box makers. Our speed of development and delivery also continues to put us in a stronger position.

Results and dividends

The Company reported a profit before taxation of £12.3m (2003: £9.3m) on sales of £35.6m (2003: £26.5m). The directors recommend the payment of a dividend of £5,000,000 (2003: £3,000,000), equating to £714,286 per share (2003: £428,571 per share).

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 markets in which it operates. The expenditure on research and development is set out in note 3 to the financial statements.

Directors and their interests

The following directors held office throughout the year:-

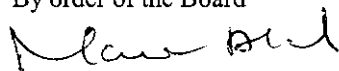
Sir Alan Sugar
Mr. M. A. G. Bland
Mr S. Sugar

The directors had no interests in the share capital of the Company or its fellow subsidiaries of Amstrad plc at any time during the year. The Company is not required to disclose details of the interests as at 30 June 2004 of Sir Alan Sugar, Mr. M. A. G. Bland and Mr. S. Sugar in shares and share options of the parent company, Amstrad plc, as they were directors of that Company as at 30 June 2004 and their shareholdings are disclosed in the accounts of Amstrad plc.

Auditors

Deloitte & 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.

By order of the Board



M.A.G. Bland
Secretary
12 October 2004

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 affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of Amstrad Satellite Products Limited for the year ended 30 June 2004 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14. 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 year 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 June 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

12 October 2004

Profit and Loss Account
Year Ended 30 June 2004

Amstrad Satellite Products Limited

| | | <i>Year ended 30 June 2004 £'000</i> | <i>Year ended 30 June 2003 £'000</i> |
|------------------------------------------------------|--------------|--------------------------------------------------|--------------------------------------------------|
| | <i>Notes</i> | | |
| Turnover | 2 | 35,645 | 26,549 |
| Cost of sales | | (20,684) | (14,832) |
| Gross profit | | 14,961 | 11,717 |
| Distribution costs | | (322) | (280) |
| Administrative expenses | | (2,373) | (2,104) |
| Net operating expenses | | (2,695) | (2,384) |
| Profit on ordinary activities before taxation | 3 | 12,266 | 9,333 |
| Tax on profit on ordinary activities | 6 | (3,498) | (2,575) |
| Profit on ordinary activities after taxation | | 8,768 | 6,758 |
| Dividends payable | | (5,000) | (3,000) |
| Retained profit for the financial year | 11 | 3,768 | 3,758 |

There are no recognised gains or losses other than those included within the profit and loss account. Consequently no statement of total recognised gains and losses is presented. The turnover and operating profit all relate to continuing operations.

Balance Sheet
As at 30 June 2004

Amstrad Satellite Products Limited

| | <i>Note</i> | <i>30 June 2004 £'000</i> | <i>30 June 2003 £'000</i> |
|-------------------------------------------------------|-------------|-----------------------------------|-----------------------------------|
| Current assets | | | |
| Stocks | 7 | 4,876 | 1,445 |
| Debtors | 8 | 22,598 | 19,889 |
| | | <u>27,474</u> | <u>21,334</u> |
| Creditors: amounts falling due within one year | 9 | (7,188) | (4,816) |
| Net current assets | | <u>20,286</u> | <u>16,518</u> |
| Total assets less current liabilities | | <u><u>20,286</u></u> | <u><u>16,518</u></u> |
| Capital and reserves | | | |
| Called up share capital | 10 | - | - |
| Share premium account | 11 | 6,500 | 6,500 |
| Profit and loss account | 11 | 13,786 | 10,018 |
| Equity shareholder's funds | 12 | <u><u>20,286</u></u> | <u><u>16,518</u></u> |

The financial statements were approved by the Board of Directors on 12 October 2004.

M.A.G. Bland

S. Sugar

Directors

*Mean and
S. Sugar*

1. Accounting policies

- (a) The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom accounting standards.
- (b) Turnover comprises invoiced sales and services less returns and VAT.
- (c) Stocks are stated at the lower of cost and net realisable value.
- (d) The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 items of income and expenditure in taxation computations in periods different from those in which they are included in 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.

- (e) Development costs, both internal and external, associated with the Company's products, are written off to the profit and loss account as they are incurred.

2. Turnover

All turnover derives from one class of business in the United Kingdom and all sales are made in the United Kingdom.

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following :-

| | <i>Year ended 30 June 2004 £'000</i> | <i>Year ended 30 June 2003 £'000</i> |
|--------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Auditors' remuneration – audit | 3 | 3 |
| Auditors' remuneration – taxation | 10 | 10 |
| Research and development expenditure | 1,117 | 851 |
| | <u> </u> | <u> </u> |

4. Emoluments of directors

The directors received no emoluments for their services to the Company in this year or the prior year.

5. Staff numbers and costs

The Company employed no staff in this year or the prior year. Services are provided and charged to the Company by Amstrad plc, the Company's immediate and ultimate parent company.

6. Tax charge on profit on ordinary activities

| | <i>Year ended 30 June 2004 £'000</i> | <i>Year ended 30 June 2003 £'000</i> |
|-----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Tax based on the profit on ordinary activities for the year: | | |
| UK corporation tax at 30% (2003: 30%) | (3,669) | (1,162) |
| Group relief payable at 30% (2003: 30%) | (14) | (1,622) |
| Adjustment in respect of prior periods | 116 | 209 |
| Current tax charge | <u>(3,567)</u> | <u>(2,575)</u> |
| Deferred tax credit | 69 | - |
| | <u>(3,498)</u> | <u>(2,575)</u> |

The tax charge for the year differs from the tax charge which would result by applying the standard rate of corporation tax of 30% (2003: 30%) as explained below.

| | <i>30 June 2004 £'000</i> | <i>30 June 2003 £'000</i> |
|---------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Profit on ordinary activities at the standard rate of corporation tax of 30% | (3,680) | (2,800) |
| Effects of: | | |
| Expenses not deductible for tax purposes | (5) | (4) |
| Movements in short term timing differences | 2 | 20 |
| Adjustment in respect of prior periods | 116 | 209 |
| | <u>(3,567)</u> | <u>(2,575)</u> |

7. Stocks

| | <i>30 June 2004 £'000</i> | <i>30 June 2003 £'000</i> |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Finished goods and goods for resale | 4,000 | 1,340 |
| Raw materials and consumables | 876 | 105 |
| | <u>4,876</u> | <u>1,445</u> |

8. Debtors

| | <i>30 June 2004 £'000</i> | <i>30 June 2003 £'000</i> |
|--------------------------------|-----------------------------------|-----------------------------------|
| Amounts owed by parent company | 22,432 | 19,832 |
| Corporation tax recoverable | 97 | 57 |
| Deferred tax asset | 69 | - |
| | <u>22,598</u> | <u>19,889</u> |

The deferred tax asset of £69,000 (2003: £nil) represents short term timing differences.

9 Creditors: amounts falling due within one year

| | <i>30 June 2004 £'000</i> | <i>30 June 2003 £'000</i> |
|-------------------------|-----------------------------------|-----------------------------------|
| Corporation tax payable | 2,091 | 1,441 |
| Group relief payable | 97 | 375 |
| Dividend payable | 5,000 | 3,000 |
| | <u>7,188</u> | <u>4,816</u> |

10. Called up share capital

| | <i>30 June 2004</i> | | <i>30 June 2003</i> | |
|----------------------------------------|---------------------|--------------|---------------------|--------------|
| | <i>No.</i> | <i>£</i> | <i>No.</i> | <i>£</i> |
| <i>Authorised:</i> | | | | |
| Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> |
| <i>Allotted issued and fully paid:</i> | | | | |
| Ordinary shares of £1 each | <u>7</u> | <u>7</u> | <u>7</u> | <u>7</u> |

11 Share premium and reserves

| | <i>Share premium account £'000</i> | <i>Profit and loss account £'000</i> | <i>Total £'000</i> |
|-------------------------------|------------------------------------------------|--------------------------------------------------|------------------------|
| At 1 July 2003 | 6,500 | 10,018 | 16,518 |
| Profit for the financial year | - | 3,768 | 3,768 |
| At 30 June 2004 | <u>6,500</u> | <u>13,786</u> | <u>20,286</u> |

The goodwill arising on the acquisition of an unincorporated business of £4,309,000 was written off directly to the profit and loss account in the period ended 30 June 1998, although it does not constitute a realised loss. For the purposes of calculating the Company's distributable reserves the goodwill is being realised over a period of twenty years. Accordingly, the Company's profit and loss account reserve includes £2,786,000 (2003: £3,001,000) of unrealised goodwill.

12. Reconciliation of movements in shareholder's funds

| | <i>Year ended 30 June 2004 £'000</i> | <i>Year ended 30 June 2003 £'000</i> |
|---------------------|--------------------------------------------------|--------------------------------------------------|
| At 1 July | 16,518 | 12,760 |
| Profit for the year | 8,768 | 6,758 |
| Dividends | (5,000) | (3,000) |
| At 30 June | <u>20,286</u> | <u>16,518</u> |

13. Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8, not to disclose transactions with entities, 90% of whose voting rights are controlled within the Amstrad plc Group.

14. Ultimate parent company and controlling entity

As at 30 June 2004, the immediate and ultimate parent company and ultimate controlling entity was Amstrad plc which is incorporated in Great Britain and is registered in England and Wales. Amstrad plc is the parent company of the only group which includes the company and for which group financial statements are prepared. Copies of Amstrad plc's consolidated accounts are available to the public from Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or from Amstrad plc's website (www.amstrad.com).