AMSTRAD SATELLITE PRODUCTS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2007

Company Number: 3341215

CONTENTS

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 30 June 2007

Business review and principal activities

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

Overall, set top box volumes were lower than a year ago with the inevitable downward pressure on the selling price of more mature products being partially countered by cost reductions achieved through re-engineering and manufacturing and component cost reductions

The broadcasting industry is increasingly moving towards high definition television and the Company continues to work on developing HDTV set top boxes and HDTV PVR boxes Delivery of HDTV boxes started at the end of the last financial year and deliveries of an HDTV PVR box are due to commence shortly The Company is also in the final stages of developing a new PVR box

On 31 July 2007, Sky Digital Supplies Limited, a wholly-owned subsidiary of British Sky Broadcasting Group plc, made a recommended cash offer (with a loan note alternative) for the entire issued and to be issued share capital of the immediate and ultimate parent company of Amstrad Satellite Products Limited, Amstrad plc

On 5 September 2007, the directors of Sky Digital Supplies Limited announced that all of the conditions of the offer had been satisfied or waived Accordingly, the offer was declared unconditional in all respects

On 7 September 2007 the directors of Sky Digital Supplies Limited announced that as valid acceptances had been received in respect of more than 90% in value and voting rights of Amstrad plc's share capital, Sky Digital Supplies Limited would commence sending notices to non-assenting Amstrad shareholders implementing the procedures set out in the Companies Act 2006 to acquire compulsorily those Amstrad shares which have not assented to the offer On the same date it was announced that an application would be made to the UK Listing Authority for the de-listing of Amstrad from the London Stock Exchange with effect from 8 October 2007

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 Company at this point in time are

- **Market uncertainties** The broadcasting industry is going through significant change with the convergence of technology and the move from standard definition to high definition broadcasting This change presents both opportunities and uncertainties to the Company in terms of future products and potential volumes

- **Imposition of duty.** The EU is currently considering whether to impose duty on the import of interactive satellite set top boxes to the EU The Company currently manufactures outside of the EU The imposition of duty will have no impact on current orders and the impact on future business is uncertain as non-duty considerations such as labour rates and labour efficiency may still make is more attractive to manufacture outside the EU

- **Component lead times.** In the consumer electronics business there can be times where components are in short supply with long lead times The Company regularly monitors the situation and adjusts plans accordingly

- **Customer mix.** Most of the Company's sales are to two major broadcasting customers where there is also an ongoing relationship in terms of product evolution and support

- **Exchange rate risk.** The Company principally sells in sterling and Euros and buys in dollars There therefore can be risk in terms of adverse exchange rate movements The Company mitigates this risk by entering forward foreign exchange contracts to buy and sell currency

Principal risks and uncertainties (continued)
The Company has a strong balance sheet and as such the Board does not consider the Company is subject to undue financial risk

Performance monitoring
The Board monitors the Company's performance in a number of ways including key performance indicators The key financial performance indicators together with the information for 2007 and 2006 are as follows -

	2007	*2006*
• Turnover	£56 8m	£74 2m
• Gross Margin %	26 1%	26 2%
• Pre-tax Profit	£8 8m	£14 2m

The turnover financial performance indicator represents what has been invoiced to customers in the year and measures sales growth or decline in value terms

The gross margin is calculated by dividing gross profit by turnover and measures the total profitability of product sales

Pre-tax profit is the profit generated by the Company before taxation This indicator measures the overall profitability of the business

Results and dividends
The Company reported a profit before taxation of £8 8m (2006 £14 2m) on sales of £56 8m (2006 £74 2m) The directors approved and paid a dividend of £6,000,000 (2006 £28,000,000) on 29 June 2007 equating to £857,143 per share (2006 £4,000,000 per share)

Research and development
The expenditure on research and development is set out in note 3 to the financial statements

Directors
The following directors held office throughout the year -

Sir Alan Sugar
Mr M A G Bland
Mr S Sugar

Auditors
To the best of each of the directors' knowledge and belief, and having made appropriate enquiries of other officers of the Company, all information relevant to enabling the auditors to provide their opinion on the financial statements has been provided Each of the directors has taken all reasonable steps in order to ensure their awareness of any relevant audit information and to establish that the Company's auditors are aware of such information

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
31 October 2007

The directors are responsible for preparing the Annual Report and the financial statements The directors have chosen to prepare the financial statements for the company 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 United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and of the profit or loss of the Company 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 UK 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

We have audited the financial statements of Amstrad Satellite Products Limited for the year ended 30 June 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15 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 annual report and 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 United Kingdom 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, in accordance with the relevant financial reporting framework, and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements We also 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 Director's 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and its 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

31 October 2007

	Notes	*Year ended 30 June 2007 £000*	*Year ended 30 June 2006 £000*
Turnover	2	56,795	74,177
Cost of sales		(41,976)	(54,753)
Gross profit		14,819	19,424
Distribution costs		(689)	(568)
Administrative expenses		(5,296)	(4,657)
Net operating expenses		(5,985)	(5,225)
Profit on ordinary activities before taxation	3	8,834	14,199
Tax on profit on ordinary activities	6	(2,466)	(4,231)
Profit on ordinary activities after taxation		6,368	9,968

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

	Notes	30 June 2007 £000	30 June 2006 £000
Current assets			
Stocks	7	7,682	5,949
Debtors	8	1,324	3,403
		9,006	9,352
Creditors amounts falling due within one year	9	(1,120)	(1,834)
Net current assets		7,886	7,518
Total assets less current liabilities		7,886	7,518
Capital and reserves			
Called up share capital	10	-	-
Share premium account	11	6,500	6,500
Profit and loss account	11	1,386	1,018
Shareholders' funds	12	7,886	7,518

The financial statements were approved by the Board of Directors on 31 October 2007

M A G Bland

S Sugar

Directors

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 These accounting policies have been consistently applied in the current and preceding years except for the adoption of FRS 21 "events after the balance sheet date"

(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

(f) **Cash flow statement**
As permitted by FRS 1 (Revised 1996) "cash flow statements", the Company has not prepared a cash flow statement because it is a wholly owned subsidiary and consolidated financial statements in which the Company's results are included are publicly available

2. **Turnover**

All turnover derives from one class of business originating in the United Kingdom An analysis of turnover by geographical destination is as follows -

	Year ended 30 June 2007 £000	*Year ended 30 June 2006 £000*
United Kingdom	52,207	55,880
Italy	4,588	18,297
	56,795	74,177

3. **Profit on ordinary activities before taxation**

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

	Year ended 30 June 2007 £000	*Year ended 30 June 2006 £000*
Research and development expenditure	2,520	2,616

3 Profit on ordinary activities before taxation (continued)

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	5
Tax services	11	10
	16	15

4. Emoluments of directors

The directors received no emoluments for their services to the Company in this year or the prior year The directors are also directors of other companies within the Amstrad group of companies It is not practicable to allocate their emoluments between such companies

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

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Tax based on the profit on ordinary activities for the year		
UK corporation tax at 30% (2006 30%)	(2,516)	(3,924)
Group relief payable at 30% (2006 30%)	(3)	(299)
Adjustment in respect of prior periods	49	(69)
Current tax charge	(2,470)	(4,292)
Deferred tax credit	4	61
	(2,466)	(4,231)

The tax charge for the year differs from the tax charge which would result by applying the standard rate of corporation tax of 30% (2006 30%) as explained below

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Profit on ordinary activities at the standard rate of corporation tax of 30%	(2,650)	(4,260)
Effects of		
Expenses treated differently for tax purposes	135	80
Movements in short term timing differences	(4)	(43)
Adjustment in respect of prior periods	49	(69)
	(2,470)	(4,292)

7 Stocks

	30 June 2007 £000	30 June 2006 £000
Fınıshed goods and goods for resale	7,046	5,372
Raw materıals and consumables	636	577
	7,682	5,949

8 Debtors

	30 June 2007 £000	30 June 2006 £000
Amounts owed by parent company	1,179	3,262
Deferred tax asset	145	141
	1,324	3,403

The deferred tax asset of £145,000 (2006 £141,000) represents short term tımıng dıfferences

Movement on deferred tax asset	30 June 2007 £000	30 June 2006 £000
At 1 July	141	80
Credıt to the profit and loss account	4	61
At 30 June	145	141

9 Credıtors amounts falling due wıthın one year

	30 June 2007 £000	30 June 2006 £000
Corporatıon tax payable	1,117	1,002
Group relıef payable	3	832
	1,120	1,834

10 Called up share capital

	30 June 2007		30 June 2006	
	No	£	No	£
Authorısed				
Ordınary shares of £1 each	1,000	1,000	1,000	1,000
Allotted ıssued and fully paıd				
Ordınary shares of £1 each	7	7	7	7

11 Share premıum and reserves

	Share premıum account £000	*Profit and loss account £000*	*Total £000*
At 1 July 2006	6,500	1,018	7,518
Profit for the financıal year	-	6,368	6,368
Dıvıdend for the financıal year	-	(6,000)	(6,000)
At 30 June 2007	6,500	1,386	7,886

The goodwıll arısıng on the acquısıtıon of an unıncorporated busıness of £4,309,000 was wrıtten off dırectly to the profit and loss account ın the perıod ended 30 June 1998, although ıt does not constıtute a realısed loss For the purposes of calculatıng the Company's dıstrıbutable reserves the goodwıll ıs beıng realısed over a perıod of twenty years Accordıngly, the Company's profit and loss account reserve ıncludes £2,141,000 (2006 £2,356,000) of unrealısed goodwıll On dısposal of a busıness the goodwıll prevıously wrıtten off dırectly to reserves ıs ıncorporated ın the profit or loss on dısposal of the busıness

12. Reconcılıatıon of movements ın shareholders' funds

	Year ended 30 June 2007 £000	*Year ended 30 June 2006 £000*
At 1 July	7,518	35,550
Profit for the year	6,368	9,968
Dıvıdends	(6,000)	(38,000)
At 30 June	7,886	7,518

13. Related party transactıons

The Company has taken advantage of the exemptıon conferred by Fınancıal Reportıng Standard 8, not to dısclose transactıons wıth entıtıes, 90% of whose votıng rıghts are controlled wıthın the Amstrad plc Group

14. Ultımate parent company and controllıng entıty

As at 30 June 2007, the ımmedıate and ultımate parent company and ultımate controllıng entıty was Amstrad plc whıch ıs ıncorporated ın Great Brıtaın and ıs regıstered ın England and Wales Amstrad plc ıs the parent company of the only group whıch ıncludes the company and for whıch group financıal statements are prepared Copıes of Amstrad plc's consolıdated accounts are avaılable to the publıc from Companıes House or from Amstrad plc's websıte (www amstrad com)

15 Post balance sheet event

On 31 July 2007, Sky Digital Supplies Limited, a wholly-owned subsidiary of British Sky Broadcasting Group plc (BSkyB), made a recommended cash offer (with a loan note alternative) for the entire issued and to be issued share capital of the immediate and ultimate parent company of Amstrad Satellite Products Limited, Amstrad plc

On 5 September 2007 the directors of Sky Digital Supplies Limited announced that all of the conditions of the offer had been satisfied or waived Accordingly, the offer was declared unconditional in all respects

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