# AMSTRAD SATELLITE PRODUCTS LIMITED

## ANNUAL REPORT AND ACCOUNTS

## FOR THE YEAR ENDED 30 JUNE 2009

**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 2009.

## 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 significantly higher 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 HD PVR boxes. Delivery of HD PVR boxes started in July 2008.

### 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.

- **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.

- **Exchange rate risk.** The Company principally sells in sterling and Euros and buys in US dollars. There therefore can be risk in terms of adverse exchange rate movements. This risk is mitigated by the intermediate parent company, BSkyB Limited, who enter into forward foreign exchange contracts on behalf of the Company to buy and sell currency.

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 2009 and 2008 are as follows:-

| | *2009* | *2008* |
|---|---|---|
| • Turnover | £161.8m | £98.4m |
| • Gross Margin % | 16.8% | 21.2% |
| • Pre-tax Profit | £20.1m | £13.2m |

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 £20.1m (2008: £13.2m) on sales of £161.8m (2008: £98.4m). In the previous year the directors approved and paid a dividend of £8,500,000 equating to £1,214,285 per share. No dividend has been paid or proposed in the year ended 30 June 2009.

## Going concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

## Research and development

The expenditure on research and development is set out in note 6 to the financial statements.

## Directors

Mr. M. A. G. Bland and Mr. J. S. Beattie served as directors throughout the year.

## Auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Deloitte 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
Director
23 September 2009

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the financial statements of Amstrad Satellite Products Limited for the year ended 30 June 2009 which comprise the Income Statement, Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter O'Donoghue FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 September 2009

| | Notes | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|---|
| **Revenue** | 4 | 161,795 | 98,390 |
| Cost of sales (including an exceptional income of £0.7m (2008: £9.8m exceptional costs) | 5 | (134,589) | (77,537) |
| **Gross profit** | | 27,206 | 20,853 |
| Distribution costs | | (898) | (750) |
| Administrative expenses | | (6,236) | (6,886) |
| Net operating expenses | | (7,134) | (7,636) |
| **Profit before taxation** | 6 | 20,072 | 13,217 |
| Tax credit / (charge) | 9 | 819 | (708) |
| **Profit for the period attributable to equity Shareholders** | | 20,891 | 12,509 |

The turnover and operating profit all relate to continuing operations.

**Statement of Recognised Income and Expense**

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| **Total recognised income and expense for the period** | 20,891 | 12,509 |

**Balance Sheet**
**As at 30 June 2008** **Amstrad Satellite Products Limited**

| | Notes | 30 June 2009 £000 | 30 June 2008 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | 6,578 | 3,530 |
| Deferred tax assets | 11 | 141 | 138 |
| | | 6,719 | 3,668 |
| **Current assets** | | | |
| Inventories | 12 | 22,421 | 15,103 |
| Trade and other receivables | 13 | 5,742 | - |
| | | 28,163 | 15,103 |
| **Total assets** | | 34,882 | 18,771 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | - | (3,966) |
| Corporation tax payable | | (76) | (18) |
| | | (76) | (3,984) |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 11 | - | (872) |
| **Total liabilities** | | (76) | (4,856) |
| **Net assets** | | 34,806 | 13,915 |
| **Equity attributable to equity holder of the parent** | | | |
| Called up share capital | 15,16 | - | - |
| Share premium account | 16 | 6,500 | 6,500 |
| Retained earnings | 16 | 28,306 | 7,415 |
| **Total equity** | | 34,806 | 13,915 |

The financial statements were approved by the Board of Directors on 23 September 2009 and signed on its behalf by:

M. A. G. Bland
*Director*

| | Notes | Year ended 30 June 2009 £000 | Year ended 30 June 2008 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 17 | 6,163 | 12,449 |
| Tax and group relief received/(paid) | 18 | 2 | (1,776) |
| **Net cash flow from operating activities** | | 6,165 | 10,673 |
| **Investing activities** | | | |
| Expenditure on product development | | (6,270) | (2,173) |
| Proceeds on disposal of intangible assets | | 105 | - |
| | | (6,165) | (2,173) |
| **Financing activities** | | | |
| Dividends paid | | - | (8,500) |
| **Net increase in cash and cash equivalents** | | - | - |
| **Cash and cash equivalents at beginning of year** | | - | - |
| **Cash and cash equivalents at end of year** | | - | - |

## 1. Basis of preparation of the financial statements

Amstrad Satellite Products Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Grant Way, Isleworth, Middlesex TW7 5QD. The nature of the company's operations and its principal activities are set out in the Directors' Report.

These financial statements are prepared in accordance with IFRS (including International Accounting Standards (''IAS'') and interpretations issued by the International Accounting Standards Board (''IASB'') and its committees) as adopted by the European Union (''EU''), the Companies Act 2006 and as issued by IASB.

After reviewing the Company's budget for the next financial year, taking into account reasonably possible changes in trading performance and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Following the acquisition of the company by BSkyB plc during the year end 30 June 2008 the company has aligned its year end with that of its ultimate parent. From 2008, the Company has maintained a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2009 this date was 28 June 2009, resulting in a 52 week year (fiscal year 2008: 1 July 2007 to 29 June 2008). In future years, the company will report a 52 or 53 week year as appropriate. For convenience purposes, the Company continues to date its financial statements as at 30 June.

**Business combinations**

- The Company has elected not to apply IFRS 3 "Business Combinations" retrospectively to any business combinations that took place before 1 July 2004.

These Financial Statements have been prepared on a historical cost basis. The accounts have been prepared on a going concern basis.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

**Accounting standards, interpretations and amendments to published standards not yet effective**

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2009 or later periods. These new standards are listed below:

- IFRS 8 "Operating Segments" (effective 1 January 2009)
- IFRIC 17 "Distributions of Non Cash Assets to Owners" (effective 1 July 2009)
- IFRIC 18 "Transfers of Assets to Customers" (effective 1 July 2009)
- Revision to IAS 1 "Presentation of Financial Statements" (effective 1 January 2009)
- Amendments to IAS 23 "Borrowing Costs" (effective 1 January 2009)
- Revision to IFRS 3 "Business Combinations" (effective 1 July 2009)
- Revision to IAS 27 "Consolidated and Separate Financial Statements" (effective 1 July 2009)
- Amendment to IFRS 2 "Share-Based Payment" (effective 1 January 2009)
- Amendment to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective 1 July 2009)
- Amendments to IAS 28 "Investment in Associates" (effective 1 January 2009)
- Amendment to IAS 32 "Financial Instruments: Presentation" (effective 1 January 2009)
- Amendments to IAS 38 "Intangible Assets" (effective 1 January 2009)
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (effective 1 January 2009)

The Directors currently anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a material impact on the financial statements of the Company other than potential additional disclosure requirements.

**2. Summary of significant accounting policies**

**a) Revenue recognition**

Revenue, which excludes VAT, comprises invoiced sales less product returns. Revenue on the sale of goods is recognised when the risks and rewards in the product have passed to the customer, which is usually upon delivery to the customer.

**b) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost represents all direct costs incurred in bringing inventories to their current condition and location. Net realisable value is assessed after taking into account any provisions for slow moving or obsolete stocks.

**c) Taxation and deferred taxation**

The tax expense represents the sum of the corporation tax currently payable and deferred tax.

The corporation tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

**d) Research and development**

Development costs, both internal and external, associated with the production of saleable products, are capitalised as an intangible asset where an asset is created which can be identified, it is probable that the asset will generate future economic benefits and where the development cost can be measured reliably. The asset is then amortised on a straight line basis over the expected sales period for the product, on a product type by product type basis – this is typically between one and two years. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure, if any, on research activities is recognised as an expense in the period in which it is incurred.

**3. Critical accounting estimates and judgements**

The preparation of financial statements in conforming with generally accepted accounting principles requires the directors to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Company are those requiring the greatest degree of subjective or complex judgements. These relate to warranty and royalty costs.

The Company bears the cost of the warranty that the Amstrad Group offers of between two years and thirty months on its products. A warranty provision is made on every unit sold to cover the forecast cost of repairing units that fail within their warranty period. The amount that is provided per unit is an estimate and is normally based on past experience. Adjustments are made to the warranty provisions in light of product returns experience.

**3. Critical accounting estimates and judgements (continued)**

The owners of patents covering technology allegedly used by the Group have indicated claims for royalties relating to the Group's current and past use of that technology. The directors accordingly make a provision for potential royalties payable based on the latest information available.

Amstrad Limited, the Company's immediate parent company holds the warranty and royalty provision, with all charges or releases passed to the Company through cost of sales.

**4. Business segments**

All revenue derives from one class of business originating in the United Kingdom.

**5. Exceptional income / (costs)**

During the year the Company agreed to settle the outstanding claim from Sky Italia S.R.L. (a related party of the Group) relating to a high level of subscriber product returns in prior years and as a result a release of £0.7m (2008: £nil) was made to the Income Statement. In the year to 30 June 2008 the Company charged £7.1m to the Income Statement in relation to the estimated cost of settling this compensation claim and a further £2.7m in relation to the costs of aborting a development project for the UK market.

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

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

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| Cost of inventories recognised as an expense in the year | 126,433 | 65,490 |
| Net foreign exchange gains | 522 | 1,012 |
| | | |
| Research and development costs: | | |
| Amortised | 3,117 | - |
| Impaired (see note 10) | - | 1,508 |
| Expensed as incurred | 2,147 | 2,091 |

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| **Auditors' remuneration** | | |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 30 | 30 |
| Other services pursuant to legislation | - | 5 |
| | 30 | 35 |

The audit fee for both years is borne by the ultimate parent Company.

**7. Emoluments of directors**

The Company considers its only members of key management to be its 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.

**8. 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 Limited, the Company's immediate parent company.

## 9. Taxation

### a) Taxation recognised in the income statement

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| **Current tax charge** | | |
| Current year | - | 674 |
| Adjustment in respect of prior years | 56 | - |
| Total current tax charge | 56 | 674 |
| **Deferred tax (credit) / charge** | | |
| Origination and reversal of temporary differences | (461) | 34 |
| Adjustment in respect of prior years | (414) | - |
| Total deferred tax (credit) / charge | (875) | 34 |
| Total tax (credit) / charge | (819) | 708 |

### b) Reconciliation of the total tax (credit) / charge

The tax charge for the year is lower (2008: lower) than the charge that would have been charged using the standard rate of corporation tax of 28% (2008: 29.5%) in the UK applied to profit before tax. The differences are explained below:

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| Profit before tax | 20,072 | 13,217 |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 28% (2008: 29.5%) | 5,620 | 3,899 |
| Effects of: | | |
| Permanent differences | 8 | (100) |
| Group relief claimed for nil consideration | (6,089) | (3,054) |
| Effect of changes in the statutory rate | - | (37) |
| Adjustment in respect of prior periods | (358) | - |
| Total tax (credit) / charge | (819) | 708 |

## 10. Intangible assets

An analysis of the movements in intangible assets by geographical destination is as follows:-

| | *Development expenditure 30 June 2009 £000* | | | *Development expenditure 30 June 2008 £000* | | |
|---|---|---|---|---|---|---|
| | *United Kingdom* | *Italy* | *Total* | *United Kingdom* | *Italy* | *Total* |
| *Cost* | | | | | | |
| At 1 July | 3,662 | 1,338 | 5,000 | 2,997 | 1,338 | 4,335 |
| Additions | 6,270 | - | 6,270 | 2,173 | - | 2,173 |
| Disposals | (105) | (1,338) | (1,443) | (1,508) | - | (1,508) |
| At 30 June | 9,827 | - | 9,827 | 3,662 | 1,338 | 5,000 |
| *Amortisation* | | | | | | |
| At 1 July | 1,470 | - | 1,470 | 1,470 | - | 1,470 |
| Charge for the year | 1,779 | 1,338 | 3,117 | - | - | - |
| Impairment | - | - | - | 1,508 | - | 1,508 |
| Disposals | - | (1,338) | (1,338) | (1,508) | - | (1,508) |
| At 30 June | 3,249 | - | 3,249 | 1,470 | - | 1,470 |
| *Net book value* | | | | | | |
| At 30 June | 6,578 | - | 6,578 | 2,192 | 1,338 | 3,530 |

The impairment in 2008 relates to capitalised costs incurred on a project which was aborted.

## 11. Deferred taxation

| | *Short term timing differences £000* | *Deferred Development costs £000* | *Total £000* |
|---|---|---|---|
| 1 July 2007 | 145 | (845) | (700) |
| (Charge) to the income statement | (7) | (27) | (34) |
| 30 June 2008 | 138 | (872) | (734) |
| | | | |
| Deferred tax asset | 138 | - | 138 |
| Deferred tax liability | - | (872) | (872) |
| Net deferred tax asset/(liability) | 138 | (872) | (734) |
| | | | |
| At 1 July 2008 | 138 | (872) | (734) |
| Credit to the income statement | 3 | 872 | 875 |
| 30 June 2009 | 141 | - | 141 |
| | | | |
| Deferred tax asset | 141 | - | 141 |

## 12. Inventories

| | 30 June 2009 £000 | 30 June 2008 £000 |
|---|---|---|
| Finished goods and goods for resale | 18,550 | 14,571 |
| Raw materials and consumables | 3,871 | 532 |
| | 22,421 | 15,103 |

The difference between the carrying value of the inventories and their replacement cost is not material.

## 13. Trade and other receivables

| | 30 June 2009 £000 | 30 June 2008 £000 |
|---|---|---|
| Amounts owed by other group companies | 5,742 | - |

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

## 14. Trade and other payables

| | 30 June 2009 £000 | 30 June 2008 £000 |
|---|---|---|
| Amounts owed to other group companies | - | 3,966 |

## 15. Called up share capital

| | 30 June 2009 | | 30 June 2008 | |
|---|---|---|---|---|
| | No. | £ | No. | £ |
| *Authorised:* | | | | |
| Ordinary shares of £1 each | 1,000 | 1,000 | 1,000 | 1,000 |
| *Allotted issued and fully paid:* | | | | |
| Ordinary shares of £1 each | 7 | 7 | 7 | 7 |

The Company has one class of ordinary shares which carry no right to fixed income.

## 16. Statement of changes in equity

| | *Called up share capital £000* | *Share premium account £000* | *Retained earnings £000* | *Total £000* |
|---|---|---|---|---|
| **Balance at 1 July 2007 as restated** | - | 6,500 | 3,406 | 9,906 |
| **Profit for the financial year** | - | - | 12,509 | 12,509 |
| **Recognised directly in equity:** | | | | |
| Dividends | - | - | (8,500) | (8,500) |
| **Balance at 30 June 2008** | - | 6,500 | 7,415 | 13,915 |
| **Profit for the financial year** | - | - | 20,891 | 20,891 |
| **Balance at 30 June 2009** | - | 6,500 | 28,306 | 34,806 |

## 17. Net cash inflow from operating activities

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| Operating profit | 20,072 | 13,217 |
| Impairment of intangible fixed assets | - | 1,508 |
| Amortisation of intangible fixed assets | 3,117 | - |
| Increase in inventories | (7,318) | (7,421) |
| (Increase)/Decrease in trade and other receivables | (5,742) | 1,179 |
| (Decrease)/Increase in trade and other payables | (3,966) | 3,966 |
| Net cash inflow from operating activities | 6,163 | 12,449 |

## 18. Analysis of cashflows for headings netted in cash flow statement

| | *Year ended 30 June 2009 £000* | *Year ended 30 June 2008 £000* |
|---|---|---|
| **Taxation paid** | | |
| UK corporation tax received/(paid) | 2 | (1,770) |
| Group relief paid | - | (6) |
| | 2 | (1,776) |

## 19. Contingent liability

On 7 May 2008 the Nomenclature Committee of the European Commission issued an Explanatory Note "EN" (0590/2007) to the Combined Nomenclature setting out their view that set-top boxes with a hard drive should be classified under Customs Tariff heading 8521 90 00 and so subject to 13.9% *ad valorem* duty on importation to the European Union. As a consequence the Company is exposed to potential retrospective Customs Duty liability in respect of such set-top boxes imported by and acquired from the immediate parent company, Amstrad Limited.

Management's opinion is that the retrospective application of the Explanatory Note would be wrong as a matter of law. In addition management considers that the adoption of the EN puts the EU in breach of the Information Technology Agreement of 1996, a view which is shared by the US and Japan who have instigated WTO proceedings against the EU on this matter. The Group therefore is, in common with other affected importers, defending its position on this matter and consequently has lodged an appeal to the VAT & Duties Tribunal regarding classification of these products.

This matter has been referred by the Tribunal to the European Court of Justice. The Group has also lodged an appeal with HMRC against the assessment for retrospective duty.

As a result of the potential remedies available under the Community Customs Code, the Group considers that in the event that an assessment is made for import duty relating to imports prior to 7 May 2008, it is probable that no outflow of economic benefit would be required to discharge this obligation, and that as such at 30 June 2009 any liability should be considered contingent.

**20. Related party transactions**
As referred to in note 21 the ultimate parent company is British Sky Broadcasting Group plc (BSkyB).

The Company's immediate parent company, Amstrad Limited, enters into all sale and purchase transactions with 3rd parties on behalf of the Company. These transactions are disclosed as related party transactions between the Company and the immediate parent company. Where any of these transactions are with other related parties, they are disclosed in the immediate parent companies annual report and accounts and not in that of the Company.

During the year the Company made sales to Amstrad Ltd of £161,795,000 (2008: £98,390,000). During the year to 30 June 2009 the Company made stock purchases from Amstrad Limited of £133,809,000 (2008: £72,891,000) and received other cost recharges from Amstrad Limited of £18,443,000 (2008: £20,312,000).

For details of amounts owed by and owed to other group companies see note 13 and 14.

**21. Ultimate parent company and controlling entity**
The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Group plc, a company incorporated in Great Britain and registered in England and Wales. The Company is ultimately controlled by British Sky Broadcasting Group plc. The results of the Company are consolidated into the Group headed by British Sky Broadcasting Group plc.

The consolidated accounts of British Sky Broadcasting Group plc are available to the public and may be obtained from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex TW7 5QD.

Amstrad Limited is the immediate parent company of Amstrad Satellite Products Limited.