

Company Registration No 1508514

**DTVG EUROPE LIMITED**  
**(previously Hughes Network Systems Europe Limited)**

**REPORT AND FINANCIAL STATEMENTS**

**31 December 2004**

TUESDAY



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**DTVG EUROPE LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
**31 December 2004**

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**DTVG EUROPE LIMITED**

**OFFICERS AND  
PROFESSIONAL ADVISERS**

**Directors**

L D Hunter  
P A James  
M W Palkovic  
J L Williamson  
B B Churchill

**Secretaries**

J L Williamson  
Jordan Company Secretaries

**Registered office**

21 St Thomas Street  
Bristol  
Avon  
BS1 6JS

**Auditors**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
St. Albans

**Bankers**

Lloyds TSB Bank plc  
PO Box 17328  
11-15 Monument Street  
London, EC3V 9JA

**Solicitors**

Shoosmiths  
5 The Lakes  
Northampton, NN4 7SH

Pinsents Masons LLP  
3 Colmore Circus  
Birmingham B4 6BH

## **DTVG EUROPE LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited consolidated financial statements of DTVG Europe Limited ("the company") for the year ended 31 December 2004

#### **1. Principal activities**

During the financial period the Group sold satellite hub equipment and remote terminals and provides data communication services delivered by satellite

#### **2. Company name change**

The company changed its name on 25 April 2005 from Hughes Network Systems Europe Limited to Qpdopqr One Limited. On 6 May 2005 the company changed its name to DTVG Europe Limited.

#### **3. Review of the business**

On 31 December 2002 a European group re-structuring took place. Hughes Network Systems Europe Limited acquired the entire share capital of Hughes Network Systems Limited from HOT Telecommunications NV. Also, substantially all the business assets and liabilities of Hughes Network Systems Europe Limited were sold to Hughes Network Systems Limited. Hughes Network Systems Europe Limited is therefore no longer a trading company.

In February 2003 Hughes Network Systems Srl joined the consolidation group when it became a 100 % owned subsidiary of Hughes Network Systems Europe Limited.

On 21 September 2003 Hughes Network Systems Europe Limited and Hughes Network Systems Limited were re-capitalised. New share capital of £61,511,060 was issued by Hughes Network Systems Europe Limited and sold to Hughes Network Systems Inc. On the same day a new investment of £61,511,060 was made in Hughes Network Systems Limited. Within Hughes Network Systems Limited the intercompany creditor balance with Hughes Network Systems Inc was used to fund the re-capitalisation.

On 22 December 2003 General Motors Corporation sold its shareholding in Hughes Electronics Corporation, with 34% being sold to News Corporation International and the remainder being sold to other investors. We changed our corporate name from Hughes Electronics Corporation to The DIRETV Group, Inc. effective March 17, 2004. News Corporation, through its wholly-owned subsidiary Fox Entertainment Group, Inc., owns approximately 38% of our outstanding common stock. On December 23, 2006, News Corporation and Liberty Media Corporation, or Liberty entered into an agreement to exchange Liberty's 16.3% ownership interest in News Corporation for News Corporation's approximately 41% ownership in us. The Liberty transaction was closed in Q1 2008.

The loss after tax for 2004 at £8,672,545 was at a similar level as previous year. Shareholder funds decreased by 136% due to the continuing losses incurred. For further details on the results of the company see page 6.

In December 2004 an agreement to sell a 50% stake in Hughes Network Systems Inc to SkyTerra was announced and this transaction was completed on 22 April 2005. As part of the transaction this company agreed to sell certain subsidiaries, trade and assets to Hughes Network Systems Europe Limited (Company registration no. 5322679), a new company within the SkyTerra / DirecTV joint venture, for £3,500,000. As such the companies effectively ceased trading on 22 April 2005.

It is not intended that the company will recommence trading in the foreseeable future.

#### **4. Dividends and transfer to reserves**

The directors do not recommend payment of a dividend (2003: £ Nil). The loss for the year has been transferred to reserves.

#### **5. Directors**

The present membership of the board is set out on page 1. Changes since 1 January 2004 are set out below and continued on page 3.

R Campitelli	- resigned 28 February 2005
R Segal	- resigned 17 September 2004
D Manson	- appointed 11 October 2004, resigned 3 May 2005
M L Cook	- resigned 3 May 2005
M J Darcy	- resigned 3 May 2005
P P Kaul	- resigned 3 May 2005
P Kaul	- resigned 3 May 2005

***DIRECTORS' REPORT***

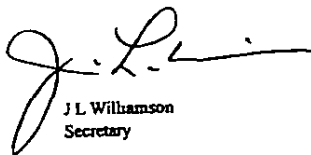
**5. Directors (continued)**

J Lucchese	- resigned 3 May 2005
B Pourmand	- resigned 3 May 2005
W G Johnson	- appointed 4 March 2005, resigned 1 September 2005
D W Baker	- appointed 4 March 2005, resigned 30 December 2005
B B Churchill	- appointed 3 May 2005, resigned 1 December 2007
L D Hunter	- appointed 3 May 2005
P A James	- appointed 1 September 2005
M W Palkovic	- appointed 3 May 2005
J L Williamson	- appointed 3 May 2005

**6. Auditors**

The directors have taken advantage of Section 386 of the Companies Act and passed an elective resolution to dispense with the annual appointment of auditors

By order of the board



J L Williamson  
Secretary

Date. 10 October 2008

## **DTVG EUROPE LIMITED**

### ***STATEMENT OF DIRECTORS' RESPONSIBILITIES***

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 and Group as at the end of the financial year and of the profit or loss of the Group 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 and Group will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DTVG EUROPE LIMITED**

We have audited the financial statements of DTVG Europe Ltd for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the statement of accounting policies and the related notes 1 to 28. 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 circumstances of the company and the group, consistently applied and adequately disclosed.

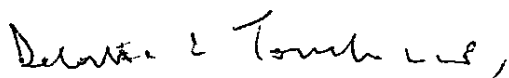
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Emphasis of matter - going concern**

Without qualifying our opinion, we draw your attention to note 1 to the accounts, which states that the financial statements have been prepared on the basis that the company is no longer a going concern.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
St Albans  
United Kingdom

10 October 2008

**DTVG EUROPE LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2004

	<i>Note</i>	<i>2004</i> <i>£</i>	<i>2003</i> <i>£</i>
<b>Total turnover - continuing operations</b>	<b>2</b>	<b>47,788,960</b>	<b>53,432,526</b>
Cost of sales		<u>(41,787,922)</u>	<u>(46,398,255)</u>
Gross profit		6,001,038	7,034,271
Sales & administrative expenses		(12,940,077)	(13,176,691)
Other costs	<b>4</b>	<u>(138,624)</u>	<u>(1,373,578)</u>
<b>Group operating loss - continuing operations</b>	<b>3</b>	<b>(7,077,663)</b>	<b>(7,515,998)</b>
Interest receivable and similar income	<b>5</b>	38,636	649,250
Interest payable and similar charges	<b>6</b>	<u>(1,633,518)</u>	<u>(1,600,790)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(8,672,545)</b>	<b>(8,467,538)</b>
Tax on loss on ordinary activities	<b>9</b>	<u>-</u>	<u>(37,016)</u>
<b>Loss on ordinary activities after taxation</b>			
<b>for the financial year</b>	<b>24</b>	<b><u>(8,672,545)</u></b>	<b><u>(8,504,554)</u></b>



**DTVG EUROPE LIMITED**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

Year ended 31 December 2004

	<i>Note</i>	<i>2004</i> £	<i>2003</i> £
Loss for the financial year		(8,672,545)	(8,504,554)
Currency translation differences on foreign currency net investments	24	1,865,224	(2,280,155)
Total gains and losses recognised in the year		<u>(6,807,321)</u>	<u>(10,784,709)</u>

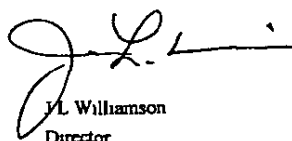
**DTVG EUROPE LIMITED**

**CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS**

31 December 2004

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
		<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Fixed assets</b>					
Intangible assets	11	236,102	242,530	-	-
Tangible assets	12	6,578,358	6,510,257	-	-
Investments	13	-	-	-	-
		<u>6,814,460</u>	<u>6,752,787</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>					
Stocks	14	6,221,892	8,816,408	-	-
Debtors due within one year	15	55,261,306	15,050,310	-	-
Debtors due after more than one year	15	17,717	1,918,550	-	-
Cash at bank and in hand		<u>3,690,932</u>	<u>1,734,185</u>	<u>-</u>	<u>-</u>
		65,191,847	27,519,453	-	-
Creditors due within one year	16	<u>(72,807,234)</u>	<u>(26,242,710)</u>	<u>(195,018)</u>	<u>(195,018)</u>
Net current (liabilities)/assets		<u>(7,615,387)</u>	<u>1,276,743</u>	<u>(195,018)</u>	<u>(195,018)</u>
Total assets less current liabilities		(800,927)	8,029,530	(195,018)	(195,018)
Creditors due after more than one year	17	<u>(1,004,080)</u>	<u>(3,027,216)</u>	<u>-</u>	<u>-</u>
Net (liabilities)/assets		<u>(1,805,007)</u>	<u>5,002,314</u>	<u>(195,018)</u>	<u>(195,018)</u>
<b>Capital and reserves</b>					
Called up share capital	19	74,346,564	74,346,564	74,346,564	74,346,564
Profit and loss account	24	(77,261,964)	(70,454,643)	(75,651,975)	(75,651,975)
Other reserves	26	<u>1,110,393</u>	<u>1,110,393</u>	<u>1,110,393</u>	<u>1,110,393</u>
Equity shareholders' (deficit)/funds		<u>(1,805,007)</u>	<u>5,002,314</u>	<u>(195,018)</u>	<u>(195,018)</u>

These financial statements were approved by the Board of directors on 10 October 2008 and signed on its behalf by

  
J.L. Williamson  
Director

**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**

31 December 2004

**1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**(a) Basis of accounting**

As described in the Director's Report the Director's sold the trading assets and liabilities of DTVG Europe Limited in April 2005. Accordingly the financial statements have been prepared under the historical cost convention on the basis other than a going concern. This has not resulted in any adjustments to the carrying values of the assets and liabilities of the group or company.

**(b) Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2004. Intra-group sales and profits are eliminated fully on consolidation.

**(c) Stocks**

Stocks comprise equipment bought for resale and are stated at the lower of cost and net realisable value. Work in progress is stated at cost less foreseeable losses and progress payments claimed.

The excess of cumulative turnover on long term contracts over payments on account claimed to date is included in debtors under the heading 'amounts recoverable on contracts'.

**(d) Deferred taxation**

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

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

**(e) Foreign currency transactions**

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries re-translated at the average rate of exchange for the year. Differences on exchange arising from the re-translation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

**(f) Depreciation**

Depreciation is provided on a straight-line basis to write off the assets over their estimated useful lives. If in the opinion of the directors there has been an impairment in the carrying value of any fixed assets additional depreciation is provided. Annual depreciation rates used are as follows:

Leasehold improvements	10%
Fixtures and fittings	10% - 20%
Satellite hubs	14% - 100%
Machinery and test equipment	14% - 35%

**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**

31 December 2004

**1. ACCOUNTING POLICIES (continued)**

**(g) Amortisation**

Intangible assets are amortised on a straight-line basis to write off the value of the asset over their estimated lives. The rates of amortisation used are as follows

Know How	14%
DPC Licence and Software	20%
Goodwill	5%

**(h) Pensions**

The group operates three pension schemes; one funded defined benefit scheme and two defined contribution schemes. For the defined benefit pension scheme the expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged over the service lives of employees in the scheme operated in the group. This scheme was closed to new entrants in September 1998 and the group then provided the option of a defined contribution pension scheme to its employees. Contributions are charged against profit in the year to which they relate.

**(i) Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the equivalent owned assets.

**(j) Cash flow statement**

The company is a wholly owned subsidiary of DTV Network Systems Inc and it is included in the consolidated financial statements of DirecTV Inc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

**(k) Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**  
31 December 2004

**2. TURNOVER**

Turnover derives from the manufacture and distribution of telecommunications equipment and the provision of telecommunications services. It comprises sales to customers located in the following territories

	2004	2003
	£	£
United Kingdom	13,568,357	12,450,556
Europe	32,076,071	39,914,810
Rest of the world	<u>2,144,532</u>	<u>1,067,160</u>
	<u>47,788,960</u>	<u>53,432,526</u>

**3 OPERATING LOSS**

The operating loss is after charging the following

	2004	2003
	£	£
Depreciation		
Tangible owned fixed assets	721,273	2,113,498
Tangible fixed assets held under finance leases	-	145,309
Amortisation of intangible fixed assets	63,733	2,900
Rentals under operating leases		
Hire of plant and machinery	288,458	284,729
Hire of other assets	277,152	194,388
Auditors' remuneration for audit (company £28,000 2003 £28,000)	<u>168,150</u>	<u>80,000</u>

**4 OTHER COSTS**

	2004	2003
	£	£
Unrealised exchange (loss)/gain	(149,620)	4,788,225
Realised exchange gain/(loss)	<u>10,996</u>	<u>(6,161,803)</u>
	<u>(138,624)</u>	<u>(1,373,578)</u>

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2004	2003
	£	£
Interest on bank balances	37,929	117,076
Interest on finance leases	-	532,174
Other interest	<u>707</u>	<u>-</u>
	<u>38,636</u>	<u>649,250</u>

**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**

31 December 2004

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004	2003
	£	£
Interest on bank loans and overdrafts repayable within 5 years	1,428,729	1,600,790
Interest on finance leases	<u>204,789</u>	<u>-</u>
	<u>1,633,518</u>	<u>1,600,790</u>

**7. DIRECTORS' EMOLUMENTS**

	2004	2003
	£	£
Salary	86,658	98,033
Other emoluments	5,800	10,714
Pension	<u>-</u>	<u>4,714</u>
	<u>92,458</u>	<u>113,461</u>

The number of directors to whom pension scheme benefits accrued during the year was 1 (2003: 1). These were accrued under a defined benefit scheme.

**8. INFORMATION REGARDING EMPLOYEES**

	2004	2003
	£	£
Wages and salaries	5,608,098	5,580,138
Social security	759,622	885,690
Other pension costs	<u>60,309</u>	<u>391,109</u>
	<u>6,428,029</u>	<u>6,856,937</u>
Average number of employees	No	No
Management, sales and administration	55	57
Operations	<u>58</u>	<u>59</u>
	<u>113</u>	<u>116</u>

**9. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2004	2003
	£	£
Analysis of tax charge on ordinary activities		
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous periods	3,285	-
Foreign tax	<u>-</u>	<u>37,016</u>
Adjustment in respect of prior years	<u>(3,285)</u>	<u>-</u>
	<u>-</u>	<u>37,016</u>

**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**

31 December 2004

**9 TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)**

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Factors affecting tax charge for the current period		
Loss on ordinary activities before tax	<u>(8,672,545)</u>	<u>(8,467,538)</u>
Tax at 30% thereon	(2,601,763)	2,540,261
Expenses not deductible for tax purposes	438,903	(140,888)
Capital allowances in excess of depreciation	344,971	277,137
Utilisation of tax losses	1,826,415	(2,711,007)
Movement in short term timing differences	(8,526)	(2,519)
Current tax charge for the period	<u>-</u>	<u>(37,016)</u>

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, revenue losses and provisions as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £16,273,220 (2003 £21,310,848). The asset would be recovered if suitable profits were to arise in future periods against which the asset could be offset.

**10. LOSS FOR THE FINANCIAL YEAR**

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is as follows:

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Holding company's loss for the year	<u>-</u>	<u>(61,195,233)</u>

**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**  
31 December 2004

**11. INTANGIBLE FIXED ASSETS**

Group	Goodwill on acquisition	DPC licence and software	Know How	Total
	£	£	£	£
<i>Cost</i>				
Cost at 1 January 2004	3,935,000	3,540,639	181,580	7,657,219
Foreign exchange translation difference	-	(77,750)	-	(77,750)
Additions in year	-	62,632	-	62,632
At 31 December 2004	3,935,000	3,525,521	181,580	7,642,101
<i>Accumulated amortisation</i>				
Accumulated amortisation at 1 January 2004	3,935,000	3,298,109	181,580	7,414,689
Foreign exchange translation difference	-	(72,423)	-	(72,423)
Charge for the year	-	63,733	-	63,733
Accumulated amortisation at 31 December 2004	3,935,000	3,289,419	181,580	7,405,999
Net book value at 31 December 2004	-	236,102	-	236,102
Net book value at 31 December 2003	-	242,530	-	242,530

**12. TANGIBLE FIXED ASSETS**

Group	Leasehold improvements	Fixtures and fittings	Satellite hubs	Machinery and test equipment	Total
	£	£	£	£	£
<i>Cost</i>					
At 1 January 2004	466,046	642,061	12,560,104	14,571,154	28,239,365
Foreign exchange translation difference	-	-	(214,720)	(7,712)	(222,432)
Additions	-	15,958	805,199	89,672	910,829
Transfers	-	-	(949,327)	949,327	-
Disposals	(332,368)	(425,869)	(3,007,594)	(2,964,652)	(6,730,483)
At 31 December 2004	133,678	232,150	9,193,662	12,637,789	22,197,279
<i>Accumulated depreciation</i>					
At 1 January 2004	382,227	562,379	7,252,654	13,531,847	21,729,107
Foreign exchange translation difference	-	-	(95,174)	(5,803)	(100,977)
Charge for the year	14,590	26,749	563,977	115,957	721,273
Transfers	-	-	-	-	-
Disposals	(332,368)	(425,869)	(3,007,594)	(2,964,652)	(6,730,483)
At 31 December 2004	64,449	163,259	4,713,863	10,677,349	15,618,920
Net book value at 31 December 2004	69,229	68,891	4,479,799	1,960,440	6,578,359
Net book value at 31 December 2003	83,819	79,682	5,307,450	1,039,307	6,510,258

The net book value of tangible fixed assets includes an amount of nil (2003: nil) in respect of assets held under finance leases.

The disposals represent a write-down of the tangible assets to retained earnings following the agreement by DTVG to sell a 50% stake to SkyTerra. Any assets held under finance leases were therefore written down to nil.



**DTVG EUROPE LIMITED**

**NOTES TO THE ACCOUNTS**

31 December 2004

**13. INVESTMENTS**

**Company:**

	£
Cost at 1 January 2004 and 31 December 2004	<u>66,139,638</u>
Provision for impairment at 1 January 2004 and 31 December 2004	<u>(66,139,638)</u>
Net book value as at 31 December 2004 and 31 December 2003	<u><u>-</u></u>

The subsidiaries in which investments are held are as follows

The principal details of HOT Telecommunications NV are

Activity	Holding Company
Country of registration	Netherlands
Area of activity	Netherlands
Issued share capital in local currency	E 3,286,276
Proportion of issued shares held	100%

The principal details of HOT srl

Activity	Telecommunications
Country of registration	Italy
Area of activity	Italy
Issued share capital in local currency	E 81,058
Proportion of issued shares held	100%

The principal details of DTVG UK Ltd are

Activity	Telecommunications
Country of registration	England & Wales
Area of activity	Worldwide
Issued share capital in local currency	£67,109,572
Proportion of issued shares held	100%

Subsidiaries of DTVG UK Limited are

	Hughes Network Systems	HOT Telecommunications
	(Deutschland) GmbH	(Italia) SRL
Activity	Telecommunications	Telecommunications
Country of registration	Germany	Italy
Area of activity	Europe	Europe
Issued share capital in local currency	E 2,351,943	E 97,133
Proportion of issued shares held	100%	99%

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**14 STOCKS**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Raw materials	-	-	-	-
Work in progress	3,562,183	4,345,668	-	-
Finished goods	2,659,709	4,470,740	-	-
	<u>6,221,892</u>	<u>8,816,408</u>	<u>-</u>	<u>-</u>

**15. DEBTORS**

Debtors due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	7,768,052	8,968,489	-	-
Amounts due from fellow group companies	40,125,417	386,350	-	-
Net investment in finance leases	755,078	865,892	-	-
Amounts recoverable on contracts	4,759,844	2,369,660	-	-
VAT recoverable	818,133	713,331	-	-
Other debtors and prepayments	1,034,782	1,746,588	-	-
	<u>55,261,306</u>	<u>15,050,310</u>	<u>-</u>	<u>-</u>

Debtors due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Net investment in finance leases	-	591,279	-	-
Other debtors and prepayments	17,717	1,327,271	-	-
	<u>17,717</u>	<u>1,918,550</u>	<u>-</u>	<u>-</u>

**16 CREDITORS - AMOUNTS DUE WITHIN ONE YEAR**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Overdraft	1,504,486	5,573,208	-	-
Payments on account	2,255,616	1,440,006	-	-
Other secured loans	1,067,301	1,414,409	-	-
Trade creditors	9,464,330	3,553,816	-	-
Obligations under finance leases (note 18)	452,351	756,100	-	-
Amounts owed to fellow group companies	53,863,976	7,931,915	195,018	195,018
Taxation and social security	27,711	371,150	-	-
Other creditors	16,861	69,631	-	-
Accruals and deferred income	4,154,602	5,132,475	-	-
	<u>72,807,234</u>	<u>26,242,710</u>	<u>195,018</u>	<u>195,018</u>

The bank loans for both Hughes Network Systems Europe Limited and Hughes Network Systems Limited were secured by a letter of guarantee given by Hughes Network Systems Inc.

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**17. CREDITORS - AMOUNTS DUE AFTER ONE YEAR**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Obligations under finance leases (note 19)			-	-
Other loans				
amounts due within one to two years	685,988	2,667,070	-	-
amounts due within two to five years	318,092	336,514	-	-
amounts due in more than five years	-	23,632	-	-
	<u>1,004,080</u>	<u>3,027,216</u>	<u>-</u>	<u>-</u>

This is a combination of sale & lease back loans with a mixture of repayment terms and principle amounts

**18. OBLIGATIONS UNDER FINANCE LEASES**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Amounts due within one year	<u>452,351</u>	<u>756,100</u>	<u>-</u>	<u>-</u>

**19 CALLED UP SHARE CAPITAL**

	2004	2003
	£	£
Authorised ordinary shares of £1 each	<u>80,000,000</u>	<u>80,000,000</u>
Allotted, issued and fully paid		
12,835,506 ordinary shares of £1 each	2,082,696	
Issued on incorporation	<u>513,451</u>	
74,345,564 (2003 74,346,564) ordinary shares of £1 each	<u>74,346,564</u>	<u>74,346,564</u>

**20 RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions available under FRS 8 paragraph 3 (c) relating to subsidiary companies

**21. CONTINGENT LIABILITIES**

On 12 February 2001 Hughes Network Systems Ltd, a subsidiary company, gave an unconditional and irrevocable guarantee to Barclays Technology Finance GmbH (formerly known as Dresdner Kleinwort Benson Finance (Deutschland) GmbH) and Barclays Technology Finance Ltd (formerly known as Dresdner Kleinwort Benson Finance Ltd) for the indebtedness and obligations of its subsidiary Hughes Network Systems (Deutschland) GmbH

Total bank guarantees outstanding at the year end amounted to £1,777,541 (2003 £1,442,042).

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**22. OPERATING LEASE COMMITMENTS**

At 31 December 2004 the group was committed to making the following payments during the next year in respect of operating leases

	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Leases which expire				
Within one year	4,696	-	-	94,440
Within two to five years	-	-	-	673,031
More than five years	-	376,000	742,204	-
	<u>4,696</u>	<u>376,000</u>	<u>742,204</u>	<u>767,471</u>

**23. PARENT COMPANY**

As at the end of 2004 the ultimate parent company and largest and smallest group consolidation was Fox Entertainment Group Inc., a company incorporated in the state of California, USA. The immediate parent company of the group as at 31 December 2004 was Hughes Network Systems, Inc. The address from which the financial statements of the ultimate parent company can be obtained is

10201 W Pico Blvd  
Bldg 100, Ste 3220  
Los Angeles, CA 90035  
USA

**24. PROFIT AND LOSS RESERVE**

**Group**

	<i>Profit and loss account</i>
	<i>£</i>
Balance at 1 January 2004	(70,454,643)
Retained loss for the year	(8,672,545)
Foreign exchange translation	<u>1,865,224</u>
Balance as at 31 December 2004	<u>(77,261,964)</u>

**Company**

	<i>Profit and loss account</i>
	<i>£</i>
Balance at 1 January 2004	(75,651,975)
Retained profit for the year	-
Balance as at 31 December 2004	<u>(75,651,975)</u>

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**25. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Loss for the financial year	(8,672,545)	(8,504,554)	-	(57,892,209)
Foreign exchange translation	1,865,224	(2,280,155)	-	-
Additional share capital allotted, issued and fully paid	-	61,511,060	-	-
Shareholders' fund/(deficit) brought forward	5,002,314	(45,724,037)	(72,348,952)	(14,456,743)
Shareholders' surplus/(deficit) carried forward	<u>(1,805,007)</u>	<u>5,002,314</u>	<u>(72,348,952)</u>	<u>(72,348,952)</u>

**26. OTHER RESERVES**

	Group & Company		Group & Company	
	2004		2003	
	£		£	
Capital contribution from Hughes Aircraft Corporation	<u>1,110,393</u>		<u>1,110,393</u>	

**27. PENSIONS**

The group has continued to account for pensions in accordance with SSAP24 FRS17 'Retirement Benefits' was issued in November 2000, but is not be mandatory for the group and the company until 2005. Prior to this, phased transitional disclosures are required which start in 2002.

The group operates three pension schemes for all qualifying employees.

Until September 1998 the group operated a funded defined benefit scheme for UK employees only. From this date this scheme was closed to new entrants and a defined contribution scheme was set up for subsequent entrants. In 2001 a defined contribution scheme was set up for employees in Germany.

**Defined benefit scheme details**

The last actuarial valuation was carried out using membership data as at 1 April 2004. An actuarial review was carried out for the year ending 31 December 2004 for FRS 17 reporting purposes and the results thereof are disclosed below.

The major assumptions used in valuing the liabilities are given below:

	2004	2003	2002
Assumptions			
Discount Rate	5.3%	5.4%	5.5%
Inflation	2.9%	2.8%	2.3%
Salary increases	4.4%	4.3%	3.8%
Increases to deferred pension before retirement	2.9%	2.8%	2.3%

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**NOTES TO THE ACCOUNTS**

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**27 PENSIONS (continued)**

The assets in the scheme and the expected rate of return were

	2004		2003		2002	
	Long term	Value of Assets	Long term rate	Value of Assets	Long term rate	Value of Assets
		£		£		£
Cash Accumulation Policy	7.0%	5,917,000	7.0%	5,449,000	7.2%	4,567,000
Secured pensions in payment	5.3%	<u>1,547,000</u>	5.4%	<u>1,484,000</u>	5.5%	<u>1,492,000</u>
Total market value of assets		<u>7,464,000</u>		<u>6,933,000</u>		<u>6,059,000</u>
 Present value of scheme liabilities		 <u>(11,516,000)</u>		 <u>(11,474,000)</u>		 <u>(10,047,000)</u>
Deficit in the scheme		<u>(4,052,000)</u>		<u>(4,541,000)</u>		<u>(3,988,000)</u>

During the year ending 31 December 2004, a contribution rate of 22% of pensionable salaries was paid. This contribution rate is expected to continue until April 2005 subject to the results of the scheme's normal actuarial valuations.

Analysis of the amount charged to operating profit

	2004	2003
	£	£
Current service cost including the cost incurred by the Employer in respect of the Additional Voluntary Contribution arrangement	<u>169,000</u>	<u>254,000</u>
Total operating charge	<u>169,000</u>	<u>254,000</u>

Analysis of the amount credited to other finance income

	2004	2003
	£	£
Expected return on assets	462,000	419,000
Interest cost	<u>(621,000)</u>	<u>(559,000)</u>
Net return	<u>(159,000)</u>	<u>(140,000)</u>

Analysis of the amount recognised in statement of total gains and losses

	2004	2003
	£	£
Actual return less expected return on assets	20,000	307,000
Experience gains and losses arising on the scheme liabilities	570,000	133,000
Change in basis - financial	-	-
Change in basis - demographic	103,000	(891,000)
Actuarial gain/(loss) recognised in statement of recognised gains and losses	<u>693,000</u>	<u>(451,000)</u>

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**27. PENSIONS (continued)**

**Movement in deficit during the year**

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Deficit in scheme at beginning of year	(4,541,000)	(3,988,000)
Movement in year		
Current service cost	(169,000)	(254,000)
Employers's contributions	124,000	292,000
Other finance income	(159,000)	(140,000)
Actuarial gain/(loss)	693,000	(451,000)
Deficit in scheme at end of year	<u>(4,052,000)</u>	<u>(4,541,000)</u>

**History of experience gains and losses**

	<i>2004</i>	<i>2003</i>	<i>2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Difference between the expected and annual return on the scheme	20,000	307,000	(514,000)
Percentage of scheme liabilities	0.3%	4.4%	8.5%
Experience gains and losses on scheme liabilities	570,000	133,000	(22,000)
Percentage of scheme liabilities	4.9%	1.2%	0.2%
Total amount recognised in statement of total recognised gains and losses	693,000	(451,000)	(2,101,000)
Percentage of scheme liabilities	6.0%	3.9%	20.9%

The potential effect on the group net liabilities as at 31 December 2004 is shown below

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Group net (liabilities)/assets before pension deficit	(1,805,007)	5,002,314
Net pension deficit as above	<u>(4,052,000)</u>	<u>(4,541,000)</u>
Consolidated net liabilities after pension deficit	<u>(5,857,007)</u>	<u>461,314</u>

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**27. PENSIONS (continued)**

**Contributions**

The total pension cost to the group for the year ended 31 December 2004 was £285,287 (2003 £391,109) Contributions totalling £1,443 (2003 £541) were outstanding at the year end.

Contributions in the year may be broken down as follows

	£ 2004	£ 2003
Defined benefit scheme	169,622	268,150
Defined contribution scheme UK	55,356	57,636
Defined contribution scheme Germany	60,309	65,323
	<u>285,287</u>	<u>391,109</u>

Contributions outstanding at the year end may be broken down as follows

	£ 2004	£ 2003
Defined benefit scheme	(5,780)	(4,890)
Defined contribution scheme UK	7,223	5,431
Defined contribution scheme Germany	-	-
	<u>1,443</u>	<u>541</u>

**28. POST BALANCE SHEET EVENTS**

In February 2003 Hughes Network Systems Srl joined the consolidation group when it became a 100 % owned subsidiary of Hughes Network Systems Europe Limited

On 21 September 2003 Hughes Network Systems Europe Limited and Hughes Network Systems Limited were re-capitalised. New share capital of £61,511,060 was issued by Hughes Network Systems Europe Limited and sold to Hughes Network Systems Inc. On the same day a new investment of £61,511,060 was made in Hughes Network Systems Limited. Within Hughes Network Systems Limited the intercompany creditor balance with Hughes Network Systems Inc was used to fund the re-capitalisation.

On 22 December 2003 General Motors Corporation sold its shareholding in Hughes Electronics Corporation, with 34% being sold to News Corporation International and the remainder being sold to other investors.

In December 2004 an agreement to sell a 50% stake in Hughes Network Systems Inc to SkyTerra was announced and this transaction was completed on 22 April 2005. As part of the transaction this company agreed to sell certain subsidiaries trade and assets to Hughes Network Systems Europe Limited (Company registration no 5322679), a new company within the SkyTerra / DirecTV joint venture, for £3,5000,000. As such the companies effectively ceased trading on 22 April 2005.

The property used in the course of the business remained under an operating lease within DTVG UK Limited and has thus become an onerous contract. As the decision to abandon this property was not made until after the balance sheet date, no provision has been made in these financial statements for the full cost of that lease to the group. A full and final payment on termination of the lease was made in June 2007, payments made in respect of this lease since disposal of the trade and assets to the date of termination amounted to £2,419,627.