

942631

56

AMSTRAD

Amstrad Consumer Electronics
Limited

Annual Report & Accounts
1979/80



Directors and Advisers

The Board of Directors

A. M. Sugar (Chairman and Managing Director)
J. L. Rice BA (Financial Director)
R. A. Mould (Sales Director)
R. J. East MA (Non-Executive Director)
N. F. Shearman FCCA (Non-Executive Director)

Secretary

J. L. Rice BA

Registered Office

1-7 Garman Road
Tottenham
London N17 0UF

Auditors

Touche Ross & Co.
Chartered Accountants.
Hill House,
1 Little New Street,
London EC4A 3TR

Registrars

Lloyds Bank Limited.
Goring-by-Sea,
Worthing.
Sussex BN12 6DA

Bankers

Lloyds Bank Limited.
19 Upper Street,
Islington.
London N1 0PT

Merchant Bankers

Kleinwort, Benson Limited.
20 Fenchurch Street,
London EC3P 3DB

Solicitors

Herbert Smith & Co.
Watling House,
35-37 Cannon Street,
London EC4M 5SD

Contents

	Page
Directors and Advisers	1
Notice of Meeting	2
Financial Summary	3
Chairman's Statement	4
Directors' Report	5
Auditors' Report	7
Profit and Loss Account	8
Balance Sheet	9
Source and Application of Funds	10
Notes on the Accounts	11
Current Cost Accounts	15
Notes on the Current Cost Accounts	18

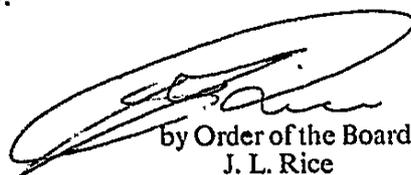


Notice of Meeting

NOTICE IS HEREBY GIVEN that the 10th ANNUAL GENERAL MEETING OF Amstrad Consumer Electronics Limited will be held at The Middlesex Suite, Abercorn Rooms, Great Eastern Hotel, Bishopsgate, London E.C.2. on 27th November, 1980 at 12 noon for the following purposes:

1. To receive and adopt the Statement of Accounts for the year ended 30th June, 1980 and the Directors' and Auditors' reports thereon.
2. To declare a dividend.
3. To re-elect Directors.
4. To re-appoint the Auditors and authorise the Directors to fix their remuneration.
5. To transact any other ordinary business of the Company.

31st October, 1980
1-7, Garman Road,
Tottenham,
London N17 0UF



by Order of the Board
J. L. Rice
Secretary

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, and on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed with this notice for use in connection with the business set out above. This Form of Proxy must reach the registrars of the Company no later than forty-eight hours before the meeting.
3. Mr. A. M. Sugar, Mr. J. L. Rice and Mr. R. A. Mould have service contracts with the Company. These contracts which are normally available for inspection at the Registered Office of the Company during normal office hours, will be available for inspection at the Annual General Meeting. No other Directors have service contracts.
4. Dividend warrants payable on the 28th November, 1980, will be posted to ordinary shareholders who are registered in the books of the Company at the close of business on the 31st October, 1980.



Financial Summary

	1980	1979	% Increase in 1980 over 1979
Turnover	£8,761,050	£5,597,790	56%
Profit from operations before taxation and extraordinary item	£1,361,006	£908,311	50%
Earnings per share based on profit before taxation and the extraordinary item	14.6p	9.7p	50%
Dividend cover	4.7*	—	—
Current cost dividend cover	5.0*	—	—

*before the waiver of £119,593 by A. M. Sugar.

Chairman's Statement

In this, my first statement to our shareholders since we became a Public Company in April, I would like to welcome you and thank you for the confidence you have shown in us. I would also like to welcome to the Board, our two Non-Executive Directors Mr. Ronald East and Mr. Neville Shearman, together with Mr. James Rice, who was appointed Financial Director in February, and Mr. Richard Mould, who was appointed Sales Director in August; their combined commercial and industrial experience will be a valuable addition to our management resources.

Results

It is particularly satisfying for me to be able to report that our turnover has reached £8,761,050, an increase of 56% over last year and that we have exceeded the profit forecast made in the Offer for Sale document in April, with a profit before taxation and the extraordinary item of £1,361,006; no mean feat in these uncertain times.

We have accepted the importance of current cost accounting in presenting our results. The profit calculated on this basis of £1,419,462 exceeds the historical cost profit figure; the strength of sterling throughout the last financial year has been the major factor in this, together with our philosophy of purchasing at the best possible rates, both at home and abroad.

Despite expectations at the time of the Offer for Sale, we incurred a tax charge to the 30th June, 1980, of £303,000. A comparison of post tax earnings per share is distorted not only by the current year's tax charge, but by the recovery of tax last year which related to previous tax payments. To improve the comparability between the years, earnings per share are included on a pre-tax basis in addition to the usual post tax basis. The tax charge arose as a result of our deliberate decision to reduce stock levels in certain product areas so as to make the Company less vulnerable during the current recession. For example, we have deferred the introduction of the sophisticated and up-market Micro Hi-Fi range until the demand for this type of product reaches a more satisfactory level. We feel that maintaining stocks of these products in the meantime would create an unnecessary burden on our liquidity. The continuing economic recession underlines the importance of pursuing this policy, but we will review this strategy in order to take advantage of opportunities once more favourable economic conditions exist.

Our product range remains extremely competitive and during the year, we have successfully introduced a range of new products, including a Tower Racking Hi-Fi System, a range of radio cassette recorders, a portable radio, a music centre, and micro computer car stereo, all of which cater for the average man in the street, offering him the aesthetic design he requires at a price he can afford; these excellent products, together with our aggressive approach to the market and our ability to maintain a degree of flexibility in all product areas, have contributed substantially to our success this year.

During the year, we have continued to broaden our customer base, thereby becoming less reliant on any one individual customer. I would also like to point out that while mail order companies, chain stores and other retail outlets have been reporting a downturn in their overall business, sales of our products to their electrical departments have continued to expand at a most satisfactory rate.

Dividend

As forecast in the Offer for Sale document, your Board has recommended a final dividend of 2p per share net of tax.

Outlook

The consumer electronics industry is currently undergoing a transformation due to rapidly advancing technology and changes in the structure of the market into which we sell, but despite this and the fact that the world as a whole is gripped by a vicious recession, our order book is healthy. The first three months of this current year have seen excellent sales figures being achieved, and I am confident that we will give a good account of ourselves. We are well prepared with an armoury of new products which I am sure will yet again set Amstrad above its competition and enable us to withstand the harsher market conditions now prevailing. We will not allow the enthusiasm and vigour which characterises all our achievements to wane and we shall continue to maximise our market penetration, using all the facilities that have proved so successful for us in the past.

In conclusion, I would like to express my thanks to both our suppliers and distributors in the U.K. and overseas, for their continuing support and confidence in us, and to extend my personal thanks and appreciation to the entire Amstrad team for its ready enthusiasm and effort.

31st October, 1980

A. M. Sugar
Chairman

Directors' Report

The Directors have pleasure in presenting their report and the audited accounts for the year ended 30th June, 1980.

Principal Activities

The principal activities of the Company during the year, were the manufacture and distribution of a range of electronic, audio and domestic consumer equipment.

Share Capital

By a resolution passed at an extraordinary general meeting of the Company on the 9th April, 1980, the authorised share capital of the Company was increased to £2,500,000 and each ordinary share of £1 was sub-divided into 4 ordinary shares of 25p each, and a capitalisation issue was made to shareholders of 9,085,000 ordinary shares of 25p each. The Company became a Public Company and new Articles of Association were adopted.

Results

Profit for the year before taxation and the extraordinary item was £1,361,006 compared with £908,311 last year. The details are set out in the Profit and Loss Account on page 8.

Turnover for the year was £8,761,050 (1979—5,597,790). Exports were £1,263,553 (1979—£1,461,467) mainly to E.E.C. countries of which over £900,000 was to France.

Dividends

The Directors have recommended that a dividend of 2p per share be paid to shareholders in respect of the period ended 30th June, 1980.

Mr. A. M. Sugar has waived his dividend except for a nominal 0.1p per ordinary share.

Directors and Directors' Interests

The present membership of the Board is as set out on page 1. The following changes have taken place since 30th June, 1979:

J. L. Rice	appointed	28th January, 1980
Mrs. A. Sugar	resigned	30th January, 1980
R. J. East	appointed	1st February, 1980
N. F. Shearman	appointed	1st February, 1980
R. A. Mould	appointed	21st August, 1980

The Directors retiring are J. L. Rice, R. A. Mould, R. J. East and N. F. Shearman. All these Directors, being eligible, offer themselves for re-election.

No Director had any material interest in any contract of the Company.

Directors' Interests	No. of ordinary shares beneficially held	
	30th June, 1980	30th June, 1979
A. M. Sugar	6,993,750	60,000
J. L. Rice	5,900	—
R. A. Mould	5,400	—
R. J. East	450	—
N. F. Shearman	1,000	—

Directors' Report (continued)

Major Shareholders

The Company has not been notified of any other shareholdings of more than 5% of the nominal value of the issued share capital.

Close Company Status

The close company provisions of the Income and Corporation Taxes Act 1970 do apply to the Company.

Employees

The average weekly number of persons including Directors employed by the Company in the U.K. in each week was 122 (98 in 1979). Aggregate remuneration was £568,940 (1979—£410,087).

Fixed Assets

Details of movement in the fixed assets of the Company during the year are as disclosed in note 9 to the accounts.

Health and Safety

In accordance with the provisions of the Health and Safety at Work etc., Act, 1974, the Company has issued a written statement of its general policy with respect to the health, safety and welfare at work of its employees and the organisation and arrangements for carrying out that policy. The Statement has been brought to the notice of all the employees of the Company.

Current Cost Accounts

Audited current cost accounts prepared in accordance with SSAP 16 are set out on page 15 to 20.

Charitable and Political donations

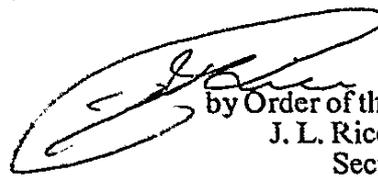
No political contributions were made during the year (1979—Nil).

Charitable contributions made by the Company amounted to £350 (1979—£100).

Auditors

A resolution to re-appoint the auditors Touche Ross & Co. and for the Directors to fix their remuneration will be proposed at the Annual General Meeting.

31st October, 1980
1-7 Garman Road,
Tottenham,
London N17 0UF



by Order of the Board
J. L. Rice
Secretary



Auditors' Report

Touche Ross & Co.

Chartered Accountants

Hill House
1 Little New Street
London EC4A 3TR

To the members of Amstrad Consumer Electronics Limited

We have audited the accounts on pages 8 to 20 in accordance with approved Auditing Standards.

In our opinion the accounts on pages 8 to 14 give, under the historical cost convention, a true and fair view of the state of the Company's affairs at the 30th June, 1980 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1948 and 1967.

In our opinion the abridged supplementary current cost accounts on pages 15 to 20 have been properly prepared in accordance with the policies and methods described in notes 1 and 2 to give the information required by Statement of Standard Accounting Practice No. 16.

Touche Ross & Co.
Touche Ross & Co.

31st October, 1980

Chartered Accountants



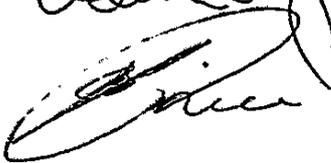
Profit and Loss Account for the year ended 30th June, 1980

	Notes	1980 £	1979 £
Turnover	1d	<u>£8,761,050</u>	<u>£5,597,790</u>
Trading profit before taxation	2	1,361,006	908,311
Taxation payable (recoverable)	3	<u>303,000</u>	<u>(168,000)</u>
Profit after taxation and before the extraordinary item		1,058,006	1,076,311
Extraordinary item	4	<u>183,767</u>	<u>—</u>
Profit after taxation and the extraordinary item		874,239	1,076,311
Dividend	5	<u>66,907</u>	<u>—</u>
Profit transferred to reserves		<u>£807,332</u>	<u>£1,076,311</u>
Earnings per share			
based on profit before tax and the extraordinary item	6	14.6p	9.7p
based on profit after tax before the extraordinary item	5	11.3p	11.5p

The attached notes form part of these accounts.

Balance Sheet at 30th June, 1980

	Notes	1980 £	1979 £
Employment of capital			
Current assets			
Cash and bank balances		96,114	401
Debtors		1,216,944	799,717
Stock	7	3,631,175	2,922,253
Taxation recoverable	8	—	163,773
		<u>4,944,233</u>	<u>3,886,144</u>
Current liabilities			
Bank overdraft		—	633,916
Creditors		1,716,227	1,147,629
Taxation	8	332,000	—
Dividend payable	5	66,907	—
		<u>2,115,134</u>	<u>1,781,545</u>
Net current assets		2,829,099	2,104,599
Fixed assets	9	810,537	756,705
Deferred assets	8	29,000	—
		<u>£3,668,636</u>	<u>£2,861,304</u>
Capital employed			
Shareholders' funds			
Issued share capital	10	2,331,250	60,000
Reserves	11	1,337,386	2,801,304
		<u>£3,668,636</u>	<u>£2,861,304</u>

A. M. Sugar }
 J. L. Rice } Directors

The attached notes form part of these accounts.



Source and Application of Funds for the year ended 30th June, 1980

	1980 £	1979 £
Source of Funds		
Profit before taxation	1,361,006	908,311
Adjustment for items not involving the movement of funds:		
Depreciation	94,437	64,015
Loss/(Profit) on sale of fixed assets	1,519	(17,802)
Total generated from operations	1,456,962	954,524
Disposal of fixed assets	902	74,198
Corporation tax recovered	163,773	—
	1,621,637	1,028,722
Application of Funds		
Purchase of fixed assets	150,690	263,068
Corporation tax paid	—	163,773
Expenses of the Offer for Sale	183,767	—
	£1,287,180	£601,881
Increase in Working Capital		
Increase in stock	708,922	1,428,552
Increase in debtors	417,227	203,409
Increase in creditors	(568,598)	(327,447)
	557,551	1,304,514
Movement of Net Liquid Funds		
Cash and bank balances	729,629	(702,633)
	£1,287,180	£601,881

Notes on the Accounts for the year ended 30th June, 1980

1. Accounting policies

a) Basis of accounts

The accounts have been prepared under the historical cost convention including the revaluation of a freehold property.

b) Depreciation

Depreciation is provided on fixed assets, at cost or valuation on a straight line basis at annual rates based on the estimated economic lives of the assets as follows:

Freehold buildings	2%
Leaseholds	Over the residual term of the lease
Plant & machinery	20%
Fixtures, fittings and equipment	10%
Motor vehicles	25%
Aircraft	10%

The Company's principal freehold property was revalued on the basis of existing use in September, 1979, by Chamberlain & Willows, Surveyors and Valuers. The valuation was incorporated in the accounts at 30th June, 1979. Depreciation has been provided on freehold buildings and leaseholds from 1st July, 1979.

c) Stock and work in progress

Stock and work in progress are valued at the lower of cost or net realisable value. Cost is represented by materials and direct labour, together with an appropriate element of production overhead. Provision has been made for obsolete and slow moving stock.

d) Turnover

Turnover consists of the total sales invoiced to customers during the year exclusive of Value Added Tax.

e) Deferred Tax

Provision is made in the accounts for U.K. corporation tax deferred by reason of stock appreciation relief, capital allowances, and other timing differences, except to the extent that such timing differences can be demonstrated with reasonable probability to continue in the foreseeable future.

f) Foreign currencies

Assets and liabilities at the period end have been translated at the rates ruling at that date except where creditors for stock are payable in foreign currency covered by forward exchange contracts where the rate of the contract is used for creditors and stock. Gains or losses arising from foreign currency exchange transactions have been treated as normal items of the period's operations.

2. Profit before taxation is after charging/(crediting)

	1980 £	1979 £
Directors' remuneration	46,663	39,000
Depreciation of fixed assets	94,437	64,015
Auditors' remuneration	13,850	10,000
Interest payable on overdraft	50,480	61,338
Interest payable on export finance	26,175	—
Discount on bills	46,109	—
Interest received	<u>(7,123)</u>	<u>(139)</u>

The remuneration of the Chairman was:

27,130	26,625
--------	--------

The Directors' remuneration was distributed as follows:

	1980 No.	1979 No.
£0 - £5,000	2	—
£5,001 - £10,000	2	—
£10,001 - £15,000	—	1
£25,001 - £30,000	1	1

Notes on the Accounts (continued)

3. Taxation

	1980	1979
	£	£
United Kingdom Corporation Tax at 52% of the profit for the year	303,000	—
United Kingdom Corporation Tax recoverable and prior year adjustment	—	(168,000)
	<u>£303,000</u>	<u>£(168,000)</u>

The taxation charge for the year has been reduced by £25,000 in respect of differences between capital allowances and depreciation (1979—£73,000) and £266,000 in respect of stock appreciation relief (1979—£683,000)

Of the stock appreciation relief in 1979, £115,000 could not be utilised and was carried forward as a tax loss which has been fully utilised this year.

4. Extraordinary item

The extraordinary item relates to the expense of the Offer for Sale of 2,331,250 shares on 10th April, 1980.

5. Dividend

The Directors propose a single net dividend of 2p per ordinary share (equivalent to 2.86p per ordinary share with the related tax credit at the current rate of 3/7ths) on each ordinary share in respect of the year ended 30th June, 1980.

Mr. A. M. Sugar has waived dividends amounting to £119,593 on 6,294,375 shares.

6. Earnings per share

The calculation of earnings per share, in accordance with the Statement of Standard Accounting Practice No. 3 is based on profit after tax, before the extraordinary item on 9,325,000 ordinary shares in issue reflecting the capitalisation issue on 9th April, 1980.

In addition, earnings per share based on profit before tax and the extraordinary item are shown.

7. Stock

	1980	1979
	£	£
Finished goods	2,430,228	1,423,557
Work in progress and material at sub-contractors	333,353	438,749
Raw materials and components	323,141	633,464
Goods in transit	544,453	426,483
	<u>£3,631,175</u>	<u>£2,922,253</u>

Notes on the Accounts (continued)

8. Taxation

	1980 £	1979 £
Taxation comprises:		
Taxation payable/(recoverable)	332,000	(163,773)
Deferred asset	(29,000)	—

The deferred asset represents the Advance Corporation Tax on the proposed dividend recoverable against future years' mainstream Corporation Tax.

Following the accounting policy set out in note 1c, no provision for deferred taxation has been provided in the accounts. The potential liability for deferred taxation is as follows:

	1980 £	1979 £
Differences between capital allowances and depreciation provided in the accounts	178,000	153,000
Stock appreciation relief	1,526,000	1,260,000
Losses carried forward	—	(115,000)
	<u>1,704,000</u>	<u>1,298,000</u>
Corporation Tax payable if the freehold property was to be disposed of at its revalued amount	23,000	23,000
	<u>£1,727,000</u>	<u>£1,321,000</u>

9. Fixed Assets

	Freehold property £	Leasehold property £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Aircraft £	Total £
As at 1st July, 1979							
Cost	18,732	1,000	248,149	111,392	95,126	21,822	496,221
Valuation	395,000	—	—	—	—	—	395,000
Additions	—	6,000	113,149	22,103	9,438	—	150,690
Disposals	—	—	—	(1,764)	(2,447)	—	(4,211)
Cost or valuation at 30th June, 1980	<u>413,732</u>	<u>7,000</u>	<u>361,298</u>	<u>131,731</u>	<u>102,117</u>	<u>21,822</u>	<u>1,037,700</u>
Depreciation at July, 1st 1979	—	—	88,997	24,741	20,414	364	134,516
Charge in year	5,300	166	48,195	12,323	24,089	4,364	94,437
Disposals	—	—	—	(58)	(1,732)	—	(1,790)
Depreciation at 30th June, 1980	<u>5,300</u>	<u>166</u>	<u>137,192</u>	<u>37,006</u>	<u>42,771</u>	<u>4,728</u>	<u>227,163</u>
Net Book Value at June 30th, 1980	408,432	6,834	224,106	94,725	59,346	17,094	810,537
Net Book Value at June 30th, 1979	413,732	1,000	159,152	86,651	74,712	21,458	756,705

Notes on the Accounts (continued)

10. Share capital

	30th June, 1980		30th June, 1979	
	Ordinary shares of 25p each		Ordinary shares of £1.00 each	
	Shares	£	Shares	£
Authorised share capital comprised :	10,000,000	2,500,000	100,000	100,000
Of which the following were issued fully paid	9,325,000	2,331,250	60,000	60,000

On the 9th April, 1980, the authorised share capital was increased to £2,500,000. Each ordinary share of £1 was sub-divided into four ordinary shares of 25p each. £2,271,250 standing to the credit of reserves was capitalised and a capitalisation issue was made to shareholders of 9,085,000 Ordinary Shares of 25p each (increasing the issued share capital to £2,331,250).

11. Reserves

	1980	1979
	£	£
As at 1st July, 1979		
Capitalisation (see note 10)	2,801,304	1,648,473
Transfer from profit and loss account	(2,271,250)	—
Surplus on revaluation of property	807,332	1,076,311
	—	76,520
As at 30th June, 1980	<u>£1,337,386</u>	<u>£2,801,304</u>
Which consists of:		
Distributable reserves	1,260,866	2,724,784
Unrealised reserves not available for distribution	76,520	76,520
	<u>£1,337,386</u>	<u>£2,801,304</u>

12. Capital expenditure

	1980	1979
	£	£
Contracted for but not provided in the accounts	Nil	Nil
Authorised but not contracted for	Nil	Nil

13. Contingent liabilities

There were no contingent liabilities other than those arising in the normal course of business including deferred taxation (see note 8) at 30th June, 1980 (1979 — None)



Current Cost Accounts

1979 / 80



Current Cost Profit & Loss Account for the year ended 30th June, 1980

	Notes	£
Turnover		<u>£8,761,050</u>
Historic cost profit before interest and taxation	3	1,450,472
Current cost operating adjustments and related interest	4	<u>31,010</u>
		1,419,462
Taxation payable		<u>303,000</u>
Current cost profit after taxation and before the extraordinary item		1,116,462
Extraordinary item		<u>183,767</u>
Current cost profit attributable to shareholders		932,695
Dividend		<u>66,907</u>
Current cost profit transferred to reserves		<u>£865,788</u>
Current cost earnings per share		
based on profit before tax and the extraordinary item		15.2p
based on profit after tax before the extraordinary item		12.0p



Current Cost Balance Sheet at 30th June, 1980

	Notes	£
Assets Employed		
Net current assets		
Stock		3,599,279
Monetary working capital		<u>(735,169)</u>
		2,864,110
Less proposed dividend		<u>66,907</u>
		<u>2,797,203</u>
Property, plant and equipment	5	904,857
Deferred assets		<u>29,000</u>
		<u>933,857</u>
		<u><u>£3,731,060</u></u>
Financed by		
Share capital		2,331,250
Current cost reserve	6	80,488
Other reserves and retained profits	7	<u>1,319,322</u>
		<u><u>£3,731,060</u></u>

Notes on the Current Cost Accounts for the year ended 30th June, 1980



1. Description of the current cost accounts

The current cost accounts on pages 15 to 20 have been prepared in accordance with SSAP16. The current cost system, whilst not a system of accounting for general inflation, allows for changes in cost prices specific to the business when reporting both assets employed and the profits earned by those assets.

The current cost operating profit is the surplus (before taxation) arising from the ordinary activities of the business in the period. It is determined after allowing for the impact of price changes on the cost of replacing that part of the productive assets of the business which has been used up during the period.

The current cost profit attributable to shareholders is the surplus after taxation and the extraordinary item. In the absence of any element of net borrowing by the company over the year, no gearing adjustment is needed in order to arrive at this figure.

2. Accounting policies

- a) Plant and Machinery has been valued at net current replacement cost using the Department of Industry Price indices for the various asset categories, which are the most appropriate indices available for the assets held by the Company.

The indices used were as follows:

Office Furniture	39500
Carpets	38750
Warehouse racking	38250
Internal offices	26300
Fixtures, fittings	26610
Tooling	35500/37050
Other equipment	37150/37300
Motor cars	17100
Motor vans	17500

Where possible, specific assets have been revalued using suppliers' quotes for replacement.

- b) Land and buildings are included in the current cost balance sheet at professional valuation carried out in September 1979. In the Directors' opinion, there has been no significant movement in the value since that date.
- c) Depreciation has been based on the revalued amounts, using the same asset lives as in the historical cost accounts.
- d) Specific indices have been used to value the stocks based on replacement cost including currency exchange rates in the case of imports. Imported goods and manufactured goods have been valued using internally produced representative indices. Sub-contracted products and other stocks have been valued using the Department of Industry's Price Index 37500 which is the most appropriate index available.
- A cost of sales adjustment calculated on the 'averaging' method has been made for each half year to reflect seasonal fluctuation.
- e) Monetary working capital consists of cash and overdrafts, trade debtors less trade creditors. Cash and overdrafts have been included because they fluctuate in line with other elements of working capital. The monetary working capital adjustment has been made for each half year using a weighted average index generated from the cost of sales indices.
- f) All other accounting policies adopted in the preparation of the current cost accounts are identical to those in the historical cost accounts.
- g) Corresponding figures for the previous year have not been shown because they are not readily available in this first year of preparing current cost accounts.

Notes on the Current Cost Accounts (continued)

3. Historic cost profit before interest and taxation

Trading profit as in the historic cost accounts	£	£
Add back :		
Interest paid on overdrafts	50,480	
Discount on bills	46,109	
Interest received	(7,123)	
	<u>89,466</u>	1,361,006
		<u>£1,450,472</u>

4. Current cost operating adjustments

Working capital:	£	£
Cost of sales		(89,747)
Monetary working capital	6,301	
Interest	89,466	
	<u>95,767</u>	95,767
Additional depreciation		6,020
		24,990
		<u>£31,010</u>

5. Property, plant and equipment

	Gross £	Accumulated Depreciation £	Net £
Land and buildings	425,732	6,296	419,436
Plant and equipment	821,591	336,170	485,421
	<u>£1,247,323</u>	<u>£342,466</u>	<u>£904,857</u>

6. Current cost reserve

Balance 1st July, 1979	£	£
Surplus on revaluation:		
Plant and equipment	49,670	
Stocks	(18,561)	
Monetary working capital adjustment	6,301	
Cost of sales adjustment	(89,747)	
	<u>(52,337)</u>	132,825
Balance 30th June, 1980		<u>£80,488</u>

7. Other reserves and retained profit

Distributable reserves at 1st July, 1979	£
Transferred to current cost reserve	2,801,304
Capitalisation	(76,520)
Profit transferred from current cost profit and loss account	(2,271,250)
	<u>865,788</u>
Balance 30th June, 1980	<u>£1,319,322</u>

Notes on the Current Cost Accounts (continued)

8. Statement of change in shareholders' equity interest after allowing for the change in the general purchasing power of money for the year ended 30th June, 1980.

	£
Equity interest at the beginning of the year in current cost terms	2,917,609
Amount required to compensate for the change in the general purchasing power of money during the year (see Note below)	<u>574,621</u>
	3,492,230
Equity interest at the end of the year before deduction of dividends, as shown below*	<u>3,797,967</u>
Surplus	<u>£305,737</u>

Note: The price index used to calculate the £574,621 in the above calculation is the Retail Price Index.

30th June, 1979	222.9
30th June, 1980	266.8

	£
*Net equity interest as shown in the current cost accounts	3,731,060
Proposed dividend	<u>66,907</u>
	<u>£3,797,967</u>



Notes on the Current Cost Accounts (continued)

8. Statement of change in shareholders' equity interest
after allowing for the change in the general purchasing power of money for the year ended 30th June, 1980.

Equity interest at the beginning of the year in current cost terms	£ 2,917,609
Amount required to compensate for the change in the general purchasing power of money during the year (see Note below)	574,621
	<u>3,492,230</u>
Equity interest at the end of the year before deduction of dividends, as shown below*	3,797,967
Surplus	<u>£305,737</u>

Note: The price index used to calculate the £574,621 in the above calculation is the Retail Price Index.

30th June, 1979	222.9
30th June, 1980	266.8

*Net equity interest as shown in the current cost accounts	£ 3,731,060
Proposed dividend	66,907
	<u>£3,797,967</u>