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AMSTRAD

Amstrad Consumer Electronics
Public Limited Company

Annual Report & Financial Statements
1984/85



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Results at a Glance

	12 months to	
	30th June, 1985 £000	30th June, 1984 £000
Turnover	<u>136,061</u>	<u>84,946</u>
Profit before taxation	20,115	9,115
Taxation	<u>(6,147)</u>	<u>(3,387)</u>
Profit after taxation	13,968	5,728
Dividends	(1,027)	(701)
Minority interests	—	(64)
Retained profit	<u>12,941</u>	<u>4,963</u>
Dividend per share		
Interim	0.324p	0.270p
Final proposed	0.618p	0.412p
Total for the Year	<u>0.942p</u>	<u>0.682p</u>
Earnings per share (based on profit on ordinary activities after taxation)	<u>12.85p</u>	<u>5.84p</u>
Dividend cover	<u>13.6</u>	<u>8.1</u>



Directors and Advisers

The Board of Directors

A. M. Sugar (Chairman and Managing Director)
J. L. Rice BA
R. A. Mould
M. M. Miller BA
R. J. Watkins
K. Ashcroft FCA, FCMA
R. J. East MA (Non-Executive Director)
N. F. Shearman FCCA (Non-Executive Director)

Secretary

J. L. Rice BA

Registered Office

Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

Auditors

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

Registrars

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

Stockbrokers

W. Greenwell & Co.
Bow Bells House,
Bread Street,
London EC4M 9EL

Bankers

Lloyds Bank Plc
19 Upper Street,
Islington,
London N1 0PT

Standard Chartered Bank plc
28 Northumberland Avenue,
London WC2N 5AG

Merchant Bankers

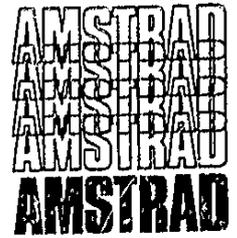
Kleinwort, Benson Limited
20 Fenchurch Street,
London EC3P 3DB

Solicitors

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

Estate Agents and Surveyors

Goldstein Leigh
43 Portland Place,
London W1N 3AG



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 15th ANNUAL GENERAL MEETING of Amstrad Consumer Electronics plc will be held at The Samuel Pepys Room, Brentwood Moat House, London Road, Brentwood, Essex CM14 4NR on 25th November, 1985, at 3 pm for the following purposes:

1. To receive and adopt the Financial Statements for the year ended 30th June, 1985 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.

1st November, 1985

Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

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. J. L. Rice, Mr. R. A. Mould, Mr. A. M. Sugar, Mr. M. M. Miller and Mr. R. J. Watkins have service contracts with the Company. These contracts which are available for inspection at the Registered Office of the Company during office hours, will be available for inspection at the Annual General Meeting. No other Directors have service contracts.
4. Dividend warrants payable on 26th November, 1985 will be posted to ordinary shareholders who are registered in the books of the Company at the close of business on 25th October, 1985.



Chairman's Statement

I am pleased to report this year exceptionally good record Group Turnover of £136.1 million, an increase of 60% over last year, and pre-tax profits of £20.1 million, an increase of 122% over last year.

Over the past few months the nervousness in the City of our sector has been somewhat frustrating for me, however, I am sure that the results speak for themselves and clearly demonstrate and endorse the philosophy and policies I have outlined in previous statements.

In view of another record year of profits, the Board of Directors will recommend a 50% increase in the final dividend. This is the fifth consecutive year that dividends have been raised.

The final dividend will be 0.618p per share. Together with the interim dividend of 0.324p already paid, this makes a total distribution for the year of 0.942p per ordinary share and is equivalent to 1.346p per ordinary share with the related tax credit at the rate of 3/7ths.

The Year

The sales for the year were made up of Audio Units, Colour TV's (CTV), Computers, Computer Software and Computer Peripherals. Audio, CTV and VCR last year represented 96% of Group Turnover and this year represents 33%. This reflected our reduced activities in VCR and large screen CTV, but was more than offset by computer sales and increased sales Overseas. Sales outside the U. K. last year represented 13% (£11 million) of Group Turnover. This year they represent 53% (£73 million). . . quite an amazing achievement.

In last year's statement, I mentioned our intention to reduce our activities in areas where the profit margin was unsatisfactory. The reduced level of sales in our Audio/CTV/VCR sector indicates the absence of high value, low margin product items sold in the previous year such as VCR leaving us with a profitable Audio sector.

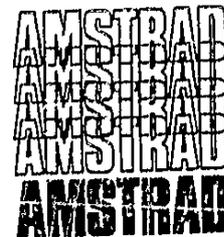
Sales growth outside the U.K. was almost entirely the result of marketing Computer products. We have now built up a world-wide distribution of Computer products and paved the way for a continued ready made market for any new product in this sector. This world-wide distribution gives us a massive customer base and leaves us far less dependent on the U.K. market. The Group has worked very well to rapidly adapt to the needs and specifications required by our Overseas Customers and Divisions.

Amstrad's strengths

During this trading period, I have been asked several times why Amstrad is so successful in the Computer Market, and why others have failed or suffer with extreme financial problems. In last year's statement I outlined some of the reasons, which I will again underline. Amstrad is a very experienced Company in the Consumer Electronics Field. We are experts in Design and Engineering — one of our talents is to engineer products with all the specifications and facilities the market demands and delete those unused facilities that are only enjoyed by the minority. In short we produce what the mass market customer wants and not a "Boffins ego trip". We have identified trends and opportunities in the Market and applied our philosophy of engineering, outstripping the competition on price and specification and, more importantly, on quality. The relationship with our Engineering Team, headed by our Technical Director Mr. Bob Watkins, is quite unique. We have a team of people who can understand the commercial side as well as the technical side of product innovation.

Our other talents are in the procurement of component parts and in the understanding and reading of the semiconductor market. This is something we have been doing for many years in relation to our Audio and CTV business. We are also very flexible concerning the manufacturing territory for our products and in selecting the area most suitable for the item in question to be made. Our marketing skills and understanding of the seasonable nature of our business is one of the main reasons for our success. Having the right inventory at the right time is important and making sure that our commitment for inventory is continually in line with our regularly updated Sales Forecasts.

The Company has demonstrated its expertise in launching and selling Computers in a market that is now considered by some in the U.K. to be declining. I must firmly disagree with these reports. It is true that certain types of low cost computers have seen their peak, but serious Home Computing and Personal Office use is here to stay. In addition, it should be remembered that a substantial part of our Computer business is in Overseas Markets which offer exceptional growth opportunities. The year I am now reporting, is not to be considered as a temporary opportunist move by us. We are firmly in this business, and we intend to remain in it together with our traditional Brown Goods, Audio and CTV Sector.



Product activity — Computers

On August 20th 1985 we launched two new Computer products. The first being our Model CPC6128 which is a Personal Computer with an inbuilt Disc Drive supplied with the option of Green or Colour Monitor. The machine is clearly a move in the right direction, moving away from the declining tape based market. But still leaving this machine without much competition considering the specification offered for its price. It offers the consumer the option to use it both for entertainment or serious Business use such as Word Processing or Accounting. This unit commenced delivery to our Customers world wide in August 1985. Reports we have so far are very encouraging. There have also been many independent technical Reports praising the machine, both on price and specification.

The second, the PCW8256, I am sure needs no introduction. It has already received so much publicity since the launch date. To recap, it is a 256K Personal Computer and Word Processor supplied with a Monitor, Disc Drive and a Printer. Retailing for £399 plus VAT, the machine went on sale at the end of September 1985. I am convinced that this configuration of machine will revolutionise the Word Processing and Personal Computer Market. I see this unit creating a new market for Amstrad, perhaps moving away from our more traditional high street electrical customers.

We have set up distribution in the U.K. in three ways, one way is through some major high street retail chain groups, such as Dixons, the second way is via Europa Electronics (our Wholesale Subsidiary) who will service the independent Computer and Office Equipment Stores. The third way is via a network of Office Equipment Companies who specialise in dealing direct with corporate Accounts on a direct basis. An agreement has been reached with a leading After Sales Service Company who will offer a very economic service contract for on site maintenance.

This machine will also go on sale in the same way at the end of October in most of our important Overseas Markets. We have started production on a world-wide basis and will shortly be producing at the rate of 40,000 per month. I am confident that this machine alone will have tremendous impact on profits in our new Financial Year.

Product activity audio

We have introduced four new Audio Units this year, two of which are Midi Units, the now fashionable shelf type compact Audio Units. These Units started to be delivered to our Customers in June 1985 and, I am pleased to report, are selling very well. The other two units are our more traditional Rack Tower Units. The Rack Tower Market has now somewhat matured. The concept we introduced nearly five years ago has been imitated by others. The Market is becoming quite crowded. Our two new units have been designed to cater for the low end of the market which we consider is the safest to keep us in the number one market leader position. This type of unit is very price sensitive but we feel that we must remain in this Audio sector to keep our Brand Name and established market leadership secure in preparation for our new concept which we plan to introduce early in 1986.

The new unit will be a complete shelf mounting Audio System, including speakers, that incorporates a digital audio disc player (Compact Disc — CD), twin cassette, Radio and a conventional Record Player. The whole unit will retail for £299 and a rack type configuration will sell for £349. The CD market is growing and, in true Amstrad style, we have been observing its progress. We see CD as the future in sound reproduction, but, until now, has been only affordable by the rich. We plan to bring CD in a complete form to the mass market and we are very confident that this new concept will contribute significantly to our profits in the years to come. Our involvement in the Computer Industry has helped us optimise the electronic circuits by customisation of major component parts used in this CD Project. This, together with our engineering philosophy, leaves us well ahead of our competition.

Other products

The products mentioned so far will all have a significant effect on profits for the new Financial Year. Also in the new Financial Year, we are again going to sell VCR products purchased from a new supplier in Japan. There are two units which are very promotionally priced; we believe that there will be an easing of the restraint agreements on VCR made between the Japanese Government and the EEC starting from January 1986. This will give us more freedom to sell based on promotional pricing.

Our decision to reduce our activities in VCR last year was based on poor margin potential, together with restraints on our retail pricing policy. The climate has changed and has become far more attractive, in line with our margin requirements and marketing methods. Our relationship with our new supplier is very good and together we are developing some new exciting but logical concepts in CTV/VCR which we hope to launch by the end of the second quarter of 1986.



Chairman's Statement (continued)

Subsidiary companies

Europa Electronics has traded well during the period dealing with the independent trade. The Computer business unlike the Audio and CTV business is not totally in the hands of the multiple retailers and a high proportion of Computer Sales are made through independent dealers. Recognising this fact, Mr. R. A. Mould has now taken the position of Managing Director and is based at the Europa Headquarters. His sole task is to expand the business of Europa and develop a stable base of good independent dealers throughout the Country. Further to this, Europa is active in product areas which are not manufactured by Amstrad. They also distribute Philips equipment to the Independent Trade.

Amstrad Sarl has enjoyed excellent sales of Computers in the French market. This market is behind that of the U.K. and U.S.A. and is just starting its boom years. Obviously, armed with the experience of the U.K. and the history of the events in the U.S.A. market, we are poised ready to read the market trends and react accordingly. The organisation has expanded to new offices in Paris and now employs 29 people who are engaged in Sales and Marketing and Administration. Marion Vannier, the Gerand (Chief Executive) has built up an excellent network of dealers and we are proud to say that Amstrad is now the market leader in France for Computers.

Amstrad International (H.K.) Ltd has also had an excellent year; they have serviced the German, Spanish, Italian, Scandinavian and Australasian Markets with both Audio and Computer Products. Under the Management of Mr. Stan Randall and Mr. Simon Mak, they are responsible for some of the Group's Audio Designs and have administered some of the Group's purchasing activities in the Far East.

They have formed a new Manufacturing Company, Amstrad Microtronics Ltd, and opened a factory in Hong Kong to produce certain high technology peripheral items that complement our computer products. They are also producing a new Dot Matrix Printer from November 1985. The costs of setting up the factory were small and it represents a base for the future.

Amstrad International will also market the PCW8256 in the Domestic Hong Kong market from November 1985.

Directors

Consequent on Mr. Mould's appointment as Managing Director of Europa Electronics, Mr. Malcolm Miller has taken the responsibility of both Sales and Marketing. Reflecting the considerable expansion in Overseas Operations, the Board has appointed Mr. Jim Rice as Group Operations Director, Mr. Ken Ashcroft joined the Company in May 1985 as Group Financial Director.

Conclusions

The results again show record turnover and profit and demonstrate our ability and expertise in Manufacturing and Marketing. We are firmly in the Computer and Audio Market. The computer market in the U.K. is still in its infancy. The initial surge of activity with games orientated machines will spawn longer term interest in more serious use of personal computers. The world's consumer and businesses, small and large, depend on computers. Success in this sector, as in Audio and other Consumers' Electronic Products will go to those "Fleet of Foot" Companies, whose products offer the right price and specification at the right time.

I am sure I don't have to repeat to our long standing Shareholders that Amstrad is the Company which has this flexible formula to be in the right product at the right time. Our excellent results do not in any way reflect temporary success. The current Financial Year Group Sales to date are very good. The Group Order Books are very healthy and I am very confident that our results for the current Financial Year will be in keeping with the vigorous growth pattern we have established so far.

I would once again like to take this opportunity to express my thanks to all of the team at Amstrad, both in the U.K. and Overseas, for their continued enthusiasm and efforts, and also sub-contractors, consultants and suppliers both in the U.K. and Overseas for their undivided support.

A. M. Sugar
Chairman

2nd October, 1985



Directors' Report

Amstrad Consumer Electronics plc

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 30th June, 1985.

Principal Activities

The Company is engaged in the design, manufacture and distribution of consumer electronic and micro computing products. Its principal trading is carried out from the UK (into UK, and certain export territories), from Hong Kong (into Australasia, Europe and other export territories), from France (into France and French colonial markets) and from Europa (the UK wholesale company) trading to smaller, independent retailers in the UK.

Results

Turnover for the year was £136.0 million (1984 — £84.9 million). Profit before taxation on ordinary 1984 activities was £20.2 million (1984 — £9.1 million). Profit transferred to reserves was £12.9 million (1984 — £4.9 million). The activities of the Group are dealt with in the chairman's statement.

Dividends

An interim dividend of 0.324p per share was paid on 19th April, 1985. The Directors recommend the payment of a final dividend of 0.618p per share, making a total of 0.942p per share for the year.

Directors and Directors' Interests

The present membership of the Board is set out below.

Mr. K. Ashcroft was appointed on 13th May, 1985 at which time there was no beneficial holding of ordinary shares in his name.

Mr. R. J. East and Mr. N. F. Shearman retire by rotation and together with Mr. K. Ashcroft who retires under Article 99 offer themselves for re-election.

No Director had, during the year or at the end of the year, any material interest in any contract with the Company.

Directors' Interests	No. of ordinary shares beneficially held		Share Option Scheme 23rd July, 1985
	30th June, 1985	30th June, 1984	
A. M. Sugar	55,242,750	55,042,750	—
J. L. Rice	12,130	24,500	235,200
R. A. Mould	67,993	67,993	235,200
K. J. East	50,833	5,833	—
N. F. Shearman	11,666	11,666	—
M. M. Miller	—	—	235,200
R. J. Watkins	—	—	235,200
K. Ashcroft	5,000	—	235,200

In addition Mr. N. F. Shearman held a non-beneficial interest in 299,000 shares (1984 — 99,000). There have been no changes in the above shareholding since 30th June, 1985.

On 23rd July, 1985 a Share Option Scheme became operative which was available to certain Directors of the Company. The shares available under the Scheme are detailed above. The option may be exercised from 23rd July, 1988 for a period of 7 years at a price of 68p per share (the mid market price on the 23rd July, 1985).

Substantial Shareholdings

At the date of this report the Company has been notified that Clerical Medical & General Life Assurance Society had an interest in 11,210,430 ordinary shares representing 10.3 per cent. of the issued ordinary shares.

Tangible Fixed Assets

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

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.

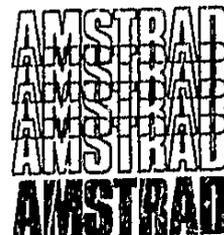
Employment of disabled persons

It is the policy of the Company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Employee Involvement

It is the responsibility of each of the executive Directors to ensure that the staff in their departments are fully informed of the Company's affairs. In a Company the size of Amstrad it is possible for the Directors to have daily informal face to face contact with staff at all levels. The Share Option Scheme is designed to give senior management within the Company both at home and abroad a stake in its future growth and success.





Charitable and Political donations

No political or charitable contributions were made during the year (1984 — political Nil, charitable £5,200).

Close Company Status

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

Auditors

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

2nd October, 1985
Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

By Order of the Board
J. L. Rice
Secretary

Auditors' Report

Amstrad Consumer Electronics plc

Touche Ross & Co.

Chartered Accountants

Hill House
1 Little New Street
London EC4A 3TR

To the members of Amstrad Consumer Electronics plc

We have audited the financial statements on pages 9 to 19 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th June, 1985, and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Act 1985.

Chartered Accountants

2nd October, 1985





Statement of Accounting Policies

Amstrad Consumer Electronics plc

- a) **Accounting convention**
The financial statements have been prepared under the historical cost convention.
- b) **Consolidation**
The group financial statements consolidate those of the Company and all subsidiaries for the financial period ended 30th June, 1985.
At the date of acquisition the fair values of the net assets, excluding goodwill of the subsidiary are determined and these values are incorporated in the consolidated financial statements. Any excess of the cost of investments over the net assets of the subsidiary that remains after this valuation is written off to retained profits.
- c) **Depreciation**
Depreciation is provided on tangible fixed assets, at cost or valuation, on a straight line basis at annual rates based on the estimated economic lives of the tangible fixed assets as follows:
- | | |
|--|-------------------------------------|
| Freehold buildings | 2% |
| Short leases | Over the residual term of the lease |
| Plant and machinery | 10%–33 1/3% |
| Fixtures and fittings, tools and equipment | 10%–50% |
- d) **Foreign currencies**
Assets and liabilities at 30th June, 1985 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 year's operations.
The financial statements of the subsidiary companies have been incorporated at the rate of exchange ruling at 30th June, 1985. Differences on exchange arising from the translation of the opening balance sheets of the foreign subsidiaries at the year end rate are taken direct to reserves.
- e) **Stock and work in progress**
Stock and work in progress are valued at the lower of cost and 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.
- f) **Deferred tax**
Provision at future anticipated rates is made in the financial statements for UK corporation tax deferred by reason of 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.
- g) **Investments**
Investments have been valued at their foreign currency cost and translated to sterling at the rate of exchange ruling at 30th June, 1985.
- h) **Intangible fixed assets**
Intangible fixed assets comprise development costs in connection with the Company's microcomputers which were first sold in June, 1984. These costs will be written off over eighteen months.

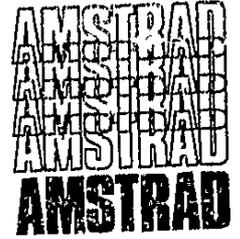


**Consolidated
Profit and Loss Account** for the year ended 30th June, 1985
Amstrad Consumer Electronics plc

	Note	1985		1984	
		£000	£000	£000	£000
Turnover	2		136,061		84,946
Change in stocks of finished goods and work in progress			<u>1,686</u>		<u>9,056</u>
			137,747		94,002
Other operating income			<u>512</u>		<u>114</u>
			138,259		94,116
Raw materials and consumables		(103,539)		(73,717)	
Other external charges		(7,316)		(6,468)	
Staff costs	3	(3,594)		(3,176)	
Depreciation and other amounts written off intangible and tangible fixed assets		(1,047)		(665)	
Other operating charges		<u>(2,364)</u>		<u>(477)</u>	
			<u>(117,860)</u>		<u>(84,503)</u>
Operating Profit			20,399		9,613
Other interest receivable and similar income			449		144
Interest payable and similar charges			<u>(691)</u>		<u>(642)</u>
Profit on ordinary activities before taxation	1 & 18		20,157		9,115
Taxation on profit on ordinary activities	4		<u>(6,147)</u>		<u>(3,387)</u>
Profit on ordinary activities after taxation			14,010		5,728
Profit attributable to minority interest			<u>—</u>		<u>(64)</u>
Profit on ordinary activities after taxation and minority interest			14,010		5,664
Extraordinary item	5	(42)		1,061	
Transfer from reserves	5	<u>—</u>		<u>(1,061)</u>	
			<u>(42)</u>		<u>—</u>
Profit for the financial year attributable to shareholders of Amstrad Consumer Electronics plc			13,968		5,664
Dividends	6		<u>(1,027)</u>		<u>(701)</u>
Profit transferred to reserves	19		<u>12,941</u>		<u>4,963</u>
Earnings per share					
Based on profit on ordinary activities after taxation	7		<u>12.85p</u>		<u>5.84p</u>

The attached notes form part of these financial statements.





Consolidated Balance Sheet at 30th June, 1985
Amstrad Consumer Electronics plc

	Notes	1985		1984	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		160		181
Tangible assets	9		6,833		4,906
			<u>6,993</u>		<u>5,087</u>
Current assets					
Stocks	10	25,173		23,493	
Debtors	11	25,692		17,074	
Investments	13	257		—	
Cash at bank and in hand		13,519		2,323	
		<u>64,641</u>		<u>42,890</u>	
Creditors					
Amounts falling due within one year	14	(28,614)		(17,785)	
Net current assets			<u>36,027</u>		<u>25,105</u>
Total assets less current liabilities			<u>43,020</u>		<u>30,192</u>
Minority interest			—		(86)
Provision for liabilities and charges	15		(850)		(869)
Net Assets			<u>42,170</u>		<u>29,237</u>
Capital and reserves					
Called up share capital	16		5,452		5,452
Share premium account	17		12,327		12,327
Revaluation reserve	19		—		71
Other reserves	19		606		—
Profit and loss account	19		23,785		11,387
Shareholders' funds			<u>42,170</u>		<u>29,237</u>

These financial statements were approved by the Board of Directors on 2nd October, 1985.

A. M. Sugar }
K. Ashcroft } Directors

The attached accounts form part of these financial statements.



Balance Sheet at 30th June, 1985
Amstrad Consumer Electronics plc

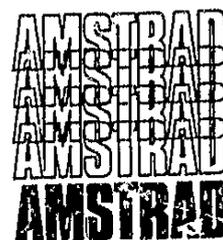
	Note	1985		1984	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		160		181
Tangible assets	9		6,551		4,815
Investments	12		331		243
			<u>7,042</u>		<u>5,239</u>
Current assets					
Stocks	10	21,844		22,467	
Debtors	11	19,996		15,348	
Cash at bank and in hand		7,163		935	
		<u>49,003</u>		<u>38,750</u>	
Creditors					
Amounts falling due within one year	14	(23,777)		(15,578)	
Net current assets			<u>25,240</u>		<u>23,172</u>
Total assets less current liabilities			<u>32,282</u>		<u>28,411</u>
Provision for liabilities and charges	15		<u>(1,206)</u>		<u>(869)</u>
Net assets			<u><u>31,076</u></u>		<u><u>27,542</u></u>
Capital and reserves					
Called up share capital	16		5,452		5,452
Share premium account	17		12,327		12,327
Revaluation reserve	19		—		71
Profit and loss account	19		13,297		9,692
Shareholders' funds			<u><u>31,076</u></u>		<u><u>27,542</u></u>

These financial statements were approved by the Board of Directors on 2nd October, 1985.

A. M. Sugar
K. Ashcroft

} Directors

The attached notes form part of these financial statements.

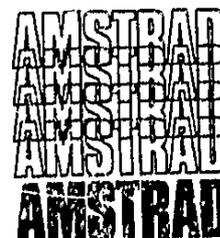


Consolidated Statement of Source and Application of Funds

for the year ended 30th June, 1985

Amstrad Consumer Electronics plc

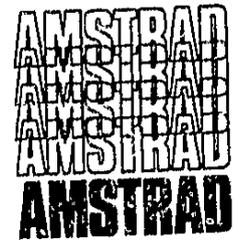
	1985 £000	1984 £000
Source of Funds		
Profit on ordinary activities before taxation	20,157	9,115
Adjustment for items not involving the movement of funds:		
Extraordinary item	(42)	—
Depreciation of intangible and tangible fixed assets	662	649
Loss on sale and write off of tangible fixed assets	424	15
Exchange differences	65	1
Total generated from operations	21,266	9,780
Disposal of tangible fixed assets	311	31
Proceeds from rights issue 11th May, 1984 (net of expenses)	—	12,883
Shares issued in consideration of the acquisition of Lyons-Turner Enterprises Limited (net of expenses)	—	233
Total source of funds	21,577	22,927
Application of Funds		
Cost of intangible assets	(154)	(183)
Purchase of tangible fixed assets	(3,220)	(1,822)
Tax paid	(3,483)	(3,406)
Dividends paid	(802)	(389)
Acquisition of Lyons-Turner Enterprises Limited	—	(240)
Acquisition of Minority Interests	(88)	—
Purchase of investment	(257)	—
Total application of funds (excl. working capital)	(8,004)	(6,040)
	13,573	16,887
Movement in Working Capital		
Increase in stocks	(1,680)	(9,055)
Increase in debtors	(8,618)	(10,487)
Increase in creditors	8,370	1,692
Total Movement in Working Capital	(1,928)	(17,850)
Movement of Net Liquid Funds	11,645	(963)



Notes to the Financial Statements

Amstrad Consumer Electronics plc

1. Profit on ordinary activities before taxation is after charging/(crediting)	1985	1984
	£000	£000
	662	649
Depreciation of intangible and tangible fixed assets	61	49
Auditors' remuneration	602	278
Interest payable on overdraft repayable within 5 years	89	172
Discount on bills payable	(449)	(144)
Interest received	53	36
Hire of plant and machinery	<u>53</u>	<u>36</u>
	<u>136,061</u>	<u>84,946</u>
2. Turnover	1985	1984
	£000	£000
The amount of turnover attributable to geographical areas was as follows:	63,310	74,130
United Kingdom	24,265	2,963
France	32,497	2,964
Germany	7,201	1,850
Other European countries	2,645	6
Asia	6,143	3,030
Australasia	<u>6,143</u>	<u>3,030</u>
	<u>136,061</u>	<u>84,946</u>
Turnover consists of the total sales invoiced to external customers during the year exclusive of Value Added Tax and other sales taxes.		
3. Staff costs	1985	1984
	£000	£000
Directors' remuneration	281	199
The remuneration of the Chairman and highest paid Director was:	<u>70</u>	<u>62</u>
The Directors' remuneration was distributed as follows:	1985	1984
	No.	No.
£Nil — £5,000	—	2
£5,001 — £10,000	3	—
£20,001 — £25,000	—	1
£25,001 — £30,000	—	1
£30,001 — £35,000	1	1
£35,001 — £40,000	1	—
£40,001 — £45,000	—	1
£45,001 — £50,000	1	—
£50,001 — £55,000	1	—
£60,001 — £65,000	—	1
£65,001 — £70,000	1	—
Wages and salaries including Directors' emoluments	<u>3,278</u>	<u>2,882</u>
Social security costs	316	294
	<u>3,594</u>	<u>3,176</u>
These costs were in respect of the average number of employees during the year as follows:	1985	1984
	No.	No.
Production	319	486
Sales, distribution and administration	177	67
	<u>496</u>	<u>553</u>



	1985	1984
	£000	£000
4. Taxation on profit on ordinary activities		
United Kingdom corporation tax at 43.75% (1984 — 48.75%) based on the profit for the year	3,217	3,170
Overseas tax	2,930	217
	<u>6,147</u>	<u>3,387</u>

The taxation charge for the year has been reduced by £Nil (1984 — £280,000) in respect of stock relief.

	1985	1984
	£000	£000
5. Extraordinary item		
Deferred taxation	—	1,061
Loss on Disposal of Freehold property	(113)	—
Transfer from revaluation reserve (Note 19)	71	—
	<u>(42)</u>	<u>1,061</u>

The extraordinary item for 1985 represents the loss on disposal of freehold property as reduced by the revaluation surplus relating to that property.

Full provision had been made for deferred taxation following proposals introduced by the Finance Act 1984 to reduce the rate of capital allowances. The extraordinary item for 1984 represents the full potential liability at 30th June, 1984 (with the exception of potential tax on properties if they were to be sold at their revalued amounts) expressed at a rate of 35%.

6. Dividend
The Directors propose a final dividend of 0.618p (1984 — 0.412p) per ordinary share, which, together with the interim dividend of 0.324p (1984 — 0.27p) per ordinary share paid on 19th April, 1985 makes a total distribution of 0.942p (1984 — 0.682p) per ordinary share in respect of the year ended 30th June, 1985. This is equivalent to 1.346p (1984 — 0.974p) per ordinary share with the related tax credit at the current rate of 3/7ths.

7. 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 and minority interests but before extraordinary items and on the ordinary shares in issue at 30th June, 1985. The comparative has been adjusted to reflect the rights issue on 11th May, 1984 and the share issue on 31st May, 1984, to give a weighted average of 96,913,411 shares.

	1985	1984
	£000	£000
8. Intangible fixed assets		
Development costs		
Cost		
At 1st July, 1984	183	—
Amounts capitalised in the year	154	183
	<u>337</u>	<u>183</u>
At 30th June, 1985		
Amortisation		
At 1st July, 1984	2	—
Charged in year	175	2
	<u>177</u>	<u>2</u>
At 30th June, 1985		
Net book value		
At 30th June, 1985	<u>160</u>	<u>181</u>

Notes to the Financial Statements (continued)

9. Tangible fixed assets

COMPANY	Freehold land and buildings £000	Short leases £000	Plant, machinery and tooling £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation					
At 1st July, 1984					
Cost	3,318	14	650	1,932	5,914
Transfers	—	—	831	(831)	—
Additions	2,440	1	100	421	2,962
Disposals	(408)	—	(925)	(163)	(1,496)
Cost or valuation					
At 30th June, 1985	<u>5,350</u>	<u>15</u>	<u>656</u>	<u>1,359</u>	<u>7,380</u>
Depreciation at 1st July, 1984	71	3	200	825	1,099
Transfers	—	—	474	(474)	—
Charged in year	57	1	159	215	432
On disposals	(27)	—	(570)	(105)	(702)
Depreciation					
At 30th June, 1985	<u>101</u>	<u>4</u>	<u>263</u>	<u>461</u>	<u>829</u>
Net book value					
At 30th June, 1985	<u>5,249</u>	<u>11</u>	<u>393</u>	<u>898</u>	<u>6,551</u>
Net book value					
At 30th June, 1984	<u>3,247</u>	<u>11</u>	<u>450</u>	<u>1,107</u>	<u>4,815</u>
CONSOLIDATED					
Cost or valuation					
At 1st July, 1984					
Cost	3,318	14	681	2,032	6,045
Exchange differences	—	—	2	1	3
Transfers	—	—	852	(852)	—
Additions	2,440	1	186	593	3,220
Disposals	(408)	—	(925)	(196)	(1,529)
Cost or valuation					
At 30th June, 1985	<u>5,350</u>	<u>15</u>	<u>796</u>	<u>1,578</u>	<u>7,739</u>
Depreciation at 1st July, 1984	71	3	217	848	1,139
Transfers	—	—	463	(463)	—
Charged in year	57	1	178	251	487
On disposals	(27)	—	(570)	(123)	(720)
Depreciation					
At 30th June, 1985	<u>101</u>	<u>4</u>	<u>288</u>	<u>513</u>	<u>906</u>
Net book value					
At 30th June, 1985	<u>5,249</u>	<u>11</u>	<u>508</u>	<u>1,065</u>	<u>6,833</u>
Net book value					
At 30th June, 1984	<u>3,247</u>	<u>11</u>	<u>464</u>	<u>1,184</u>	<u>4,906</u>

10. Stocks

	Company		Consolidated	
	1985 £000	1984 £000	1985 £000	1984 £000
The amounts attributed to the different categories are as follows:				
Raw material and consumables	2,227	12,548	2,227	12,548
Work in progress	179	505	179	505
Finished goods and goods for resale	19,438	9,414	22,767	10,440
	<u>21,844</u>	<u>22,467</u>	<u>25,173</u>	<u>23,493</u>



11. Debtors	Company		Consolidated	
	1985 £000	1984 £000	1985 £000	1984 £000
Trade debtors	7,979	13,871	23,660	16,533
Amounts owed by group companies	10,845	1,050	—	—
Other debtors	721	85	1,418	147
Prepayments	451	342	614	394
	<u>19,996</u>	<u>15,348</u>	<u>25,692</u>	<u>17,074</u>

12. Investments	Company	
	1985 £000	1984 £000
Shares in subsidiaries at cost:		
At 1st July, 1984	243	3
Additions	88	240
At 30th June, 1985	<u>331</u>	<u>243</u>

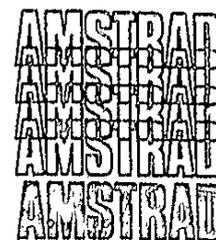
The following information relates to the Company's subsidiaries, which, in the opinion of the Directors principally affect the consolidated profits or assets of the Company.

Name of subsidiary and country of registration	Date of acquisition	Description of shares held	Proportion of nominal value shares held
Amstrad International (Hong Kong) Limited, Hong Kong*	21st September, 1981	Ordinary 1 HK\$ shares	100%
Amstrad S.A.R.L., France	1st July, 1982	Ordinary 100 F.Fr. shares	100%
Lyons-Turner Enterprises Limited, England	30th May, 1984	Ordinary £1 shares	100%

*The minority interest of 5% was acquired on 1st July, 1984.

13. Investments held as Current Assets	1985	1984
	£000	£000
Other Investments		
Shares in French Unit Trusts		
At 1st July, 1984	—	—
Additions	257	—
At 30th June, 1985	<u>257</u>	<u>—</u>

14. Creditors: amounts falling due within one year	Company		Consolidated	
	1985 £000	1984 £000	1985 £000	1984 £000
Bank overdraft	—	8	50	499
Trade creditors	1,329	1,967	1,991	2,464
Bills of exchange payable	13,755	7,709	17,265	8,611
Amounts owed to group companies	2,755	120	—	—
U.K. corporation tax	3,288	3,303	3,288	3,303
Other taxation and social security cost	72	1,417	129	1,560
Overseas taxation	—	—	2,860	162
Other creditors	735	11	1,032	11
Accruals	1,155	594	1,275	726
Dividend proposed	674	449	674	449
	<u>23,763</u>	<u>15,578</u>	<u>28,614</u>	<u>17,785</u>



Notes to the Financial Statements (continued)

15. Provision for liabilities and charges

	Company £000	Consolidated £000
Deferred Tax:		
At 1st July, 1984	869	869
Charged to Profit & Loss Account	433	77
Movement on Advanced Corporation Tax recoverable	(96)	(96)
	<u>1,206</u>	<u>850</u>
At 30th June, 1985		

The potential amounts of deferred taxation (expressed at a tax rate of 35%) and the portions thereof provided in the financial statements are:

	Company		1984	
	1985	Total potential tax	Amount provided	Total potential tax
	Amount provided £000	£000	£000	£000
Capital allowances in excess of depreciation	1,599	1,599	1,061	1,061
Surplus on revaluation	—	—	—	22
Advance corporation tax recoverable	(288)	(288)	(192)	(192)
Other timing differences	(105)	(105)	—	—
	<u>1,206</u>	<u>1,206</u>	<u>869</u>	<u>891</u>

	Consolidated		1984	
	1985	Total potential tax	Amount provided	Total potential tax
	Amount provided £000	£000	£000	£000
Capital allowances in excess of depreciation	1,599	1,599	1,061	1,061
Surplus on revaluation	—	—	—	22
Advance corporation tax recoverable	(288)	(288)	(192)	(192)
Other timing differences	(461)	(461)	—	—
	<u>850</u>	<u>850</u>	<u>869</u>	<u>891</u>

16. Called up share capital

	30th June, 1985		30th June, 1984	
	Ordinary shares of 5p each Shares	£000	Ordinary shares of 5p each Shares	£000
Authorised share capital comprised:	<u>120,000,000</u>	<u>6,000</u>	<u>120,000,000</u>	<u>6,000</u>
Of which the following were allotted, issued and fully paid up				
At 1st July, 1984	109,041,666	5,452	93,250,000	4,663
Rights issue — 11th May, 1984	—	—	15,541,666	777
Acquisition issue — 30th May, 1984	—	—	250,000	12
At 30th June, 1985	<u>109,041,666</u>	<u>5,452</u>	<u>109,041,666</u>	<u>5,452</u>

17. Share premium account	1985	1984
	£000	£000
At 1st July, 1984	12,327	—
Arising on Rights Issue	—	12,433
Expenses of Rights Issue	—	(327)
Arising on Acquisition Issue	—	228
Expenses of Acquisition Issue	—	(7)
	<u>12,327</u>	<u>12,327</u>
At 30th June, 1985		

- 18. Profit of parent company**
The consolidated profit and loss account includes profit on ordinary activities before taxation of £8,205,000 (1984 — £7,255,000) and taxation of £3,573,000 (1984 — £3,170,000) which are dealt with in the parent company's profit and loss account. The latter is not included in these financial statements as permitted by S.228(7) of the Companies Act 1985.

19. Reserves	Company		Consolidated		
	Revalu- ation reserve	Profit and loss account	Revalu- ation reserve	Other reserves	Profit and loss account
	£000	£000	£000	£000	£000
At 1st July, 1984	71	9,692	71	—	11,387
Profit retained for the year	—	3,605	—	—	12,941
Disposal of revalued asset (Note 5)	(71)	—	(71)	—	—
Foreign exchange translation differences	—	—	—	—	65
Non-distributable reserve arising on bonus issue by subsidiaries	—	—	—	606	(606)
Reduction in net assets of subsidiary to fair market value of assets at time of acquisition	—	—	—	—	(2)
	<u>—</u>	<u>13,297</u>	<u>—</u>	<u>606</u>	<u>23,785</u>
At 30th June, 1985					

20. Capital expenditure	1985	1984
	£000	£000
Contracted for but not provided in the financial statements	—	—
Authorised but not contracted for	—	2,490
	<u>—</u>	<u>2,490</u>

- 21. Contingent liabilities**
The company is currently involved in two sets of legal proceedings relating to advertisements run in 1984 for some of its audio equipment. The company sought but has failed at first instance to obtain a declaration from the Court that the advertisements in question were lawful. The decision at first instance is under appeal and the directors are awaiting the outcome of the appeal.

In the opinion of the directors, based on legal advice, the result of these proceedings will have no material affect on the net asset position as shown in these financial statements.

Amstrad Consumer Electronics plc has guaranteed the overdraft of subsidiary companies to the extent of £10,400,000 (1984—£500,000).



Financial Record as a Public Company

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Turnover (excluding VAT)	1	8,761	14,126	28,059	51,785	84,946
Profit before tax	1	1,361	2,376	4,770	8,044	9,115
<hr/>						
Profit after tax	1	1,058	1,237	2,583	5,319	5,664
Dividends per share (incl. Tax Credit)	2	0.29	0.56	0.68	0.81	0.97
Dividend Cover		13	9	16	25	8
Retained profit for year		807	1,105	2,421	5,104	4,963
Earnings per share after tax (p/share)	2	1.11	1.30	2.71	5.58	5.84
Share capital and reserves		3,669	4,773	7,194	12,298	29,237
<hr/>						
Key Ratios						
Turnover growth over prior year		56.5%	61.2%	98.6%	84.6%	64.0%
Profit before tax over prior year		49.9%	74.6%	100.8%	68.6%	13.3%
Profit before tax as a percentage of sales		15.5%	16.8%	17.0%	15.5%	10.7%

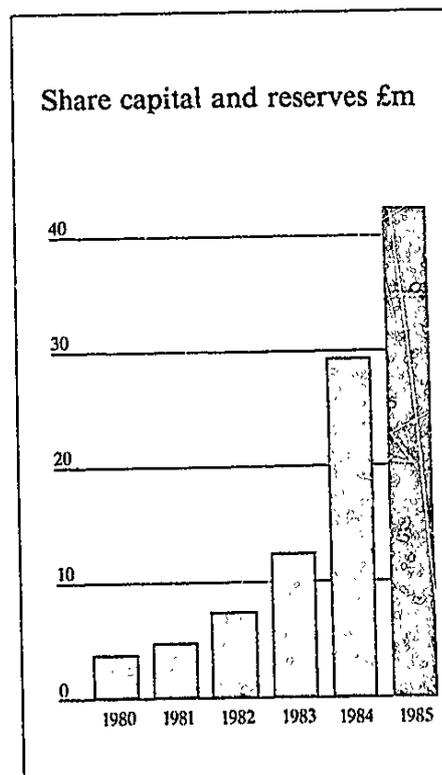
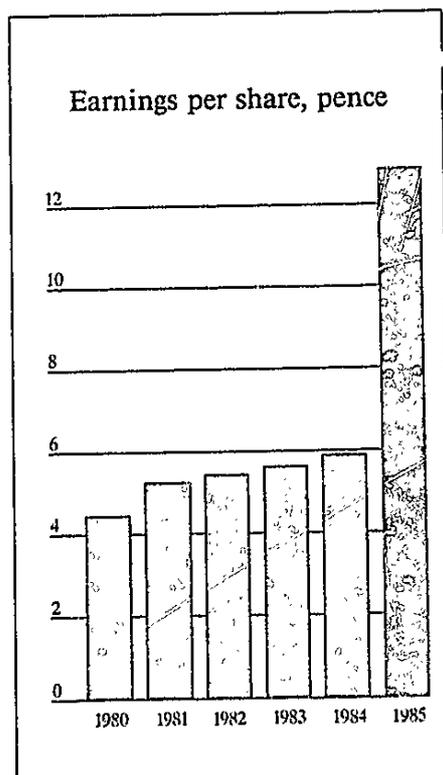
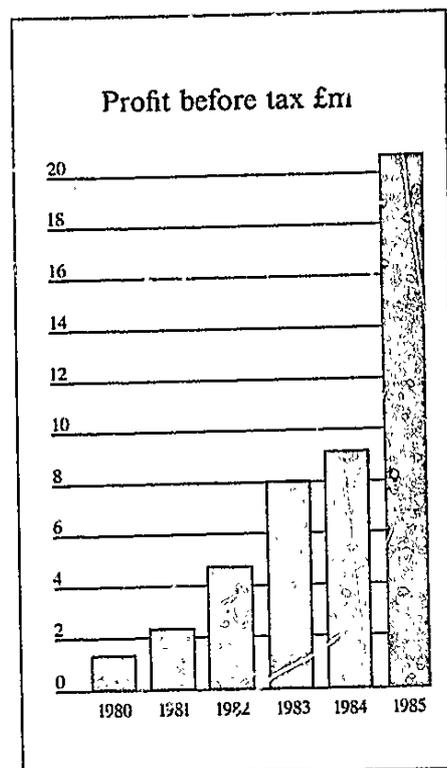
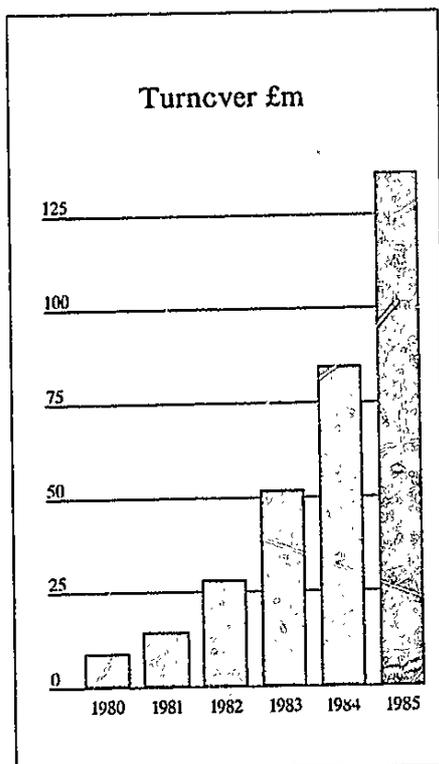
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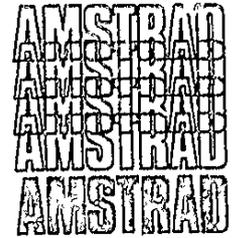
1. Profit figures other than retained earnings exclude extraordinary items.
2. As adjusted to reflect the 1 for 1 capitalisation issue on 25th November, 1982, the 5 for 1 capitalisation issue on 4th November, 1983 and the 1-6 rights issue on 11th May, 1984.

1985	Av. Annual Growth
£000	1980/85
136,061	70.8%
20,157	71.4%

14,010	64.0%
1.35	32.1%
14	—
12,941	70.6%
12.85	24.9%
42,170	55.6%

60.2%
121.1%
14.8%





Amstrad Group Operating Companies

Amstrad Consumer Electronics plc

Brentwood House,
169 King's Road,
Brentwood,
Essex CM14 4EF

Amstrad International (Hong Kong) Limited

Units No. 6, 7 & 8,
12th Floor,
Tower A,
Hung Hom Commercial Centre,
37-39 Tau Wai Road,
Hung Hom,
Kowloon,
Hong Kong

Amstrad SARL

72-78 Grand Rue,
92310 Sevres,
Paris,
France

Lyons-Turner Enterprises Limited (Trading as Europa Electronics Ltd)

Unit 24,
Roseville Road,
Parkhouse Industrial Estate,
Chesterton,
Newcastle,
Staffs.

New Operating Company:

Amstrad Microtronics (Mfg) Ltd (incorporated on 9th July, 1985)

5th Floor,
Kwong Luew Tai,
Industrial Building,
54-56 Tsun Yip Street,
Kwun Tong,
Kowloon,
Hong Kong

Amstrad Consumer
Electronics plc
Form of Proxy

I/We
being member(s) of Amstrad Consumer Electronics plc hereby appoint the Chairman
of the Meeting (See Note 1)

or
of

as my/our proxy to vote for me/us and on my/our behalf at the Annual General
Meeting of the Company to be held on Monday, 25th November, 1985 and at any
adjournment thereof. This proxy is to be used as follows:

RESOLUTIONS	FOR	AGAINST
1 To receive and adopt the Financial Statements for the year ended 30th June, 1985 and the Directors' and Auditors' report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a dividend.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect Directors		
(i) Mr. R. J. East	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Mr. N. F. Shearman	<input type="checkbox"/>	<input type="checkbox"/>
(iii) Mr. K. Ashcroft	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-appoint the Auditors and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5 To transact any other ordinary business of the Company.	<input type="checkbox"/>	<input type="checkbox"/>

Signature

Date

Notes

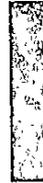
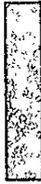
1. If you wish to appoint some other person, please insert his/her name and address, initial the insertion and strike out the words 'Chairman of the Meeting'.
2. Please indicate with an X how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote or abstain as he/she thinks fit.
3. A corporation proxy must be executed under its Common Seal, or under the hand of a duly appointed officer or attorney.
4. To be valid, this Proxy must be lodged with the Registrar not less than forty-eight hours before the time fixed for the Meeting.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.

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FOLD 1

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REGISTRAR'S DEPARTMENT
GORING-BY-SEA
WORTHING
WEST SUSSEX BN12 4BR**

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