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Amstrad plc  
Annual Report  
1986/87



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## Results at a Glance for the year ended 30th June 1987

As stated p.6

	1987		1986	
Turnover		% of		% of
By geographical territory	£m	turnover	£m	turnover
U.K.	222.5	43.5	129.2	42.5
France	92.8	18.1	66.3	21.8
Germany	63.9	12.5	37.5	12.3
Spain	62.5	12.2	32.3	10.6
Other European countries	41.3	8.1	11.4	3.8
Asia	3.9	0.8	2.2	0.7
Australasia	11.2	2.2	8.0	2.7
North America	13.7	2.6	17.2	5.6
<b>Total turnover</b>	<b>511.8</b>	<b>100.0</b>	<b>304.1</b>	<b>100.0</b>
By class of business	£m	% of	£m	% of
Leisure	234.4	45.8	188.9	62.1
Business	277.4	54.2	115.2	37.9
<b>Total turnover</b>	<b>511.8</b>	<b>100.0</b>	<b>304.1</b>	<b>100.0</b>
Profit on ordinary activities before taxation	135.7	26.5	75.3	24.8
Profit on ordinary activities after taxation	93.4	18.2	52.0	17.1
Dividends per share	0.70p		0.35p	
Earnings per share	17.13p		9.54p	
Dividend cover	24.5		27.3	

### Dividend payment

The final dividend will be posted on 27th November, 1987 to ordinary shareholders who are registered on the books of the company at the close of business on 26th October, 1987.





## Directors and Advisers

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### The Board of Directors

A. M. Sagar (Chairman and Managing Director)

J. T. Rice BA

M. M. Miller BSc

P. J. Watkins

E. A. Abbott CMA, FCMA

C. J. Heald

N. J. Shearman, FCA (Non Executive Director)

### Secretary

J. I. Rice BA

### Registered Office

Pentwood House,

169 Kings Road

Brentwood,

Essex CM14 4EE

### Auditors

Touche Ross & Co

Chartered Accountants

Hill House,

1 Little New Street,

London EC4A 3TB

### Registrars

Lloyds Bank Plc

Charing Cross,

Worthing,

Sussex BN12 6DZ

### Stockbrokers

Jam. & Capel & Co

6 Bevis Marks

London EC3A 7JQ

### 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

44 Portland Place,

London W1N 3AG



## Notice of Meeting

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NOTICE IS HEREBY GIVEN that the 17th ANNUAL GENERAL MEETING of Amstrad plc will be held at the Adelphi Centre, The Walkers, Aldwych, London WC2B 9DD on 26th November, 1987, at 4 p.m. for the following purposes:

- 1 To receive and adopt the financial statements for the year ended 30th June, 1987 and the directors' and auditors' reports thereon
- 2 To declare a dividend
- 3 To re-elect directors
- 4 To reappoint the auditors and authorise the directors to fix their remuneration
- 5 To transact any other ordinary business of the company

29th September, 1987

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, if a poll, vote instead of him. A proxy need not be a member of the company. 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.
- 2 Mr A. M. Sugar, Mr J. L. Rice, Mr M. M. Miller, Mr R. J. Watkins, Mr K. Ashcroft and Mr C. J. Bezeki 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 for at least 15 minutes prior to and during the meeting.



## Chairman's Statement

Once again I am pleased to report record sales of £511.8 million, an increase of 68% compared with last year's sales, and record after tax profits of £135.7 million, an increase of 148%.

Directors have decided to recommend an increase of 100% in the final dividend which, together with a similar increase paid on the interim result, will give a total increase of 100% for the year compared with last year. The final dividend of 1.50p per share will, together with the interim dividend already paid of 0.20p per share, be equivalent to 1.70p per share with the related tax credit at the current rate of 27.73%.

### The Year

During the year we had continued success with both new and existing products. This fact is continually overlooked by many outside observers who seem to speculate mostly on the Company's results on the back of new products. To simplify matters we can break down our products into two main categories: Leisure products which include Home Entertainment computers such as Sinclair and our CPC range, together with Video, Audio and Teletext products, and Business products which cover our range of PC compatible computers, Word Processors and Printers.

For the 12 months to 30th June, 1987 the results were as follows:

Millions	Leisure		Business		Total
1986/87	£231.4	45%	£277.4	54%	£511.8
1985/86	£188.9	62%	£115.2	38%	£304.1

It is clear from this sales record, made up of existing and new products, that we are not a company that lives or dies by the success of any one product.

One of the major products launched during this year was the PC 1512 - the industry standard compatible computer. This product attracted tremendous interest and, in my opinion, has revolutionised the so-called computer industry in the UK. The "Amstrad effect" of low price high volume production and marketing has taken the wind out of an industry cocooned in a sedate and uncompetitive environment, encapsulated in a hyped-up aura of mystical high technological sophistication. The "Amstrad effect" of course rocked the boat, the resultant factor being critical comments of the product to which I am sure all are familiar. I think Pythagoras and Columbus had the same problem when they announced the world was round.

Our financial results talk for themselves, as do the industry statistics which showed us PC market leaders just three months after the introduction of this product.

This year we reaped the benefit of the Sinclair deal. Sales during the Christmas 1986 season of the Spectrum plus 2 computer were excellent as were sales of video recorders, both those branded as Amstrad products and those made for OEM branded sales. The latter, made for retailers to sell under their own brand names, had been developed well and we now have a very substantial part of this market, secured through a two-pronged marketing approach. During the year we entered into a joint venture agreement with Furui Electric Co. Ltd. of Japan, one of our suppliers, and opened a joint venture VCR factory at Sharnbryness last May. The production is running well and there are future plans to increase production of TV and video based products, a sector in which we are becoming increasingly experienced.

We have held our position in audio products during a two-year period of market confusion and disruption in this product sector. Our approach has been to focus our activities in "state of the art" products, where a stable consumer demand is known to exist. This approach has been very profitable. The market is now sorted out and our patience will be rewarded with new products under development in this sector.

### Policy

Amstrad's growth record has been an amazing feat. During the past four years, we have almost doubled sales and profits each year. A major part of our success is our management philosophy, which dictates that we have a small team of flexible decision makers with none of the bureaucracy to be found in some companies with half our turnover. The year I have just reported needed the whole effort of the team to achieve the excellent results; the team did not increase in proportion, compared to the sales volume and profit achieved. To go forward we must realistically accept that we cannot achieve the doubling effect we have experienced in the past. Clearly a new strategy is necessary and this will be the theme of the balance of this statement.

The current financial year is going to be one of consolidation and seed planting in formulating our firm plan of growth for the future. A major stepping stone for Amstrad and one which I predict, in years to come will be recognised as one of the major strategic milestones in the Company's history.



There is a temptation to let the experience of other companies which have risen like Amstrad to great heights keep them from reaching the top, to go with the flow, to be the prosaic 'What do we do for an extra?'

The answer is often that the company wants to be like a best hand with a shopping basket - surveying the shelves of the company lists in desperation for any profits at a high cost to avoid the ongoing issue.

After much thought and planning, the Board has decided that we will not be lured in this direction. We wish to remain in a business we understand. We will not dismiss the possibility of acquisitions, however any acquisition the Company may make will clearly be a logical extension of its current main core activities.

Amstrad is all about products and the marketing of those products. These two very simple facts clearly indicate the way forward - organic growth in both product introduction and the channels to sell and market them.

### Product Development

On 1st June 1987 we launched a new IBM compatible computer, the PC 1640. This new machine is a step up model from our existing PC 1512 and will sell in parallel through different and more serious PC dealer channels, leaving the PC 1512 to cater for the home computer user which is rapidly becoming more and more sophisticated. The introduction of the PC 1640 will have a significant effect on the current financial year, as will the recently introduced PC W 9512 word processor which again will be marketed in parallel with the existing and most famous PC W 8250.

Our new word processor incorporates new features demanded by the market, including a perfect letter quality printer which will open up a great sales potential to the serious office use market. To complement our growing range of printers, we have introduced the LQ 3500 printer which incorporates the new sought after 24 pin head print technology. This machine is very competitively priced and has been well accepted by the serious business user.

The Sinclair range of products has been extended with the introduction of the Spectrum plus 3, a disc drive based unit selling at a £99.00 for the forthcoming Christmas season.

Our Technical Director, Mr Bob Watkins, has in the past year built up a team of design engineers, the members of which have now had time to learn the Amstrad way of doing things. His team will introduce more than 20 new leisure and business products during the next calendar year. The majority of these will not impact in the current financial year ending 30th June, 1988.

The new products include a new full range of audio cassettes to cater for the markets we have identified over the past two years. New and exciting concepts in television and video are also under development, together with a range of business computers that will penetrate sectors of the market not yet covered by our existing products. In addition we are working on two completely new exciting product areas, both of which have tremendous sales and profit potential.

Whilst we decided not to continue as a member of the BS0 satellite consortium, we have certainly not lost interest in the future of the broadcast satellite industry. As soon as the bureaucrats have sorted out the issues of standards, timings and finances, you will find Amstrad poised with low cost, high quality receiving equipment designed to meet what we believe will be a high consumer demand.

I am sorry that I cannot be more specific on the details of our new product development and ask shareholders to understand the sensitive nature of such information. Whilst the new products are not substitutes for our existing range, the reaction to premature news can affect sales of products planned for sale in the current year, and alert our competitors to some obvious innovations we are planning.

We have the largest new development programme in the company's history and I am very confident that we are on the right path as far as products are concerned.

In order for Bob Watkins and his design team to concentrate their full effort on this very important task of product development, we welcome a new manufacturing Director, Mr Colin Heald, who will take over some of Bob Watkins' past responsibilities. With his newly formed buying and manufacturing team, Colin Heald will arrange the procurement and manufacture of all the Company's new and existing product ranges. Mr Heald was previously Marketing General Manager with a major Far East manufacturing company.

### Markets

#### UK

In the United Kingdom we have established a full team of sales and marketing personnel under the control of our Sales and Marketing Director, Mr Malcolm Miller. This team has managed to capture a tremendous market share in many of those product sectors in which we are active, and has gained maximum penetration of the retail and wholesale outlets through which our products can be sold. The sales and marketing team is not only able to cover the UK market, but is now poised to act as consultants and advisers in our growing overseas activities.





## Chairman's Statement

Amstrad International Limited, (hereinafter referred to as "Amstrad") and operating under the leadership of its Managing Director Mr. Marco Vanier, has streamlined its operations to offer its customers the best service possible. In order to cater to a clientele of independent retail trade, mainly consisting of owner dealers, we have to supply a speedy service for the frequent delivery of small but essential supplies. Supporting independent dealers is a serious concern of Amstrad International Limited. Amstrad has a separate marketing and merchandising policy designed to stimulate and benefit from the very important independent retail trade.

If Amstrad could achieve the penetration in other world markets that it now enjoys in the United Kingdom with the existing product range, I am convinced our sales turnover would be at least fivefold. This surely is our greatest challenge and target growth area. We have been very successful in the past in France and Spain. The major reasons for this success can be summed up simply as the whole-hearted concentration on selling Amstrad products *only* rather than selling Amstrad products alongside those of other manufacturers. Amstrad will no longer distribute its products in major overseas markets through agents who, in many cases, also represent other manufacturers. Such arrangements lead to the dilution of the sales and marketing effort. In addition there is no longer any room for a "middle man's" margin. The Group can now offer the resources to overseas subsidiaries, enabling them to penetrate their markets in the way we have done in the UK. We must control our own destiny and to do so we must control our marketing and advertising effort in each market, as well as product planning.

### Italy

We recently announced the formation of Amstrad SpA, our wholly owned subsidiary in Italy. We have great expectations for this company and we are sure that under the control of its Managing Director, Mr. Ettore Accenti, and with the guidance he will receive from the Amstrad main board, Amstrad SpA will become another successful group company. Trading starts in October 1987 and whilst we cannot expect any major profit contribution in the current financial year to 30th June 1988, we are sure that this company will be ready for a full attack on the Italian market for the major selling season of 1988.

### USA

Also recently announced was the acquisition of our distributor in the United States of America. It is clear that to penetrate the US market, we must bring to bear a full marketing effort and acknowledge the competitive nature of this market.

In order to provide the resources necessary to succeed in this market, we decided to take over the existing distributor, who had already made some inroads on the market with our products. The US market is very big and success there could make our past Group results look small. However, it is also a very dangerous market, we have always expressed caution with regard to this territory and we will continue to do so.

The USA will not be allowed to drain our resources, however no effort will be spared to ensure success and I will take a personal interest in the development of this market.

The Chief Executive Officer of Amstrad Inc. is Mr. Vernon Moore, the founder owner of Video Inc., previously our distributor. He is backed by Mr. Chris Pullen, an employee of Amstrad for the past 12 years, who will assume the position of President.

We are also pleased to be able to develop business with our existing customer Dixons, through Sibo, their new venture in the USA.

### Spain

We announced the acquisition of Indesco SA, our Spanish distributor, on 25th September 1987. Over the past three years this company has succeeded in taking a massive share of the Spanish market under the guidance of its founder, Mr. Jose Luis Dominguez. The performance of Indesco is a near mirror image of Amstrad's history. Indesco has set up one of the best nationwide distribution networks I have ever seen, and their marketing techniques in some cases are superior to those employed anywhere else in the Group. The Spanish company, now named Amstrad Espana SA, will market the whole product range of the Group's leisure and business products. The success we have in the Spanish market with our computer products and the established dealer network is a firm base for all new Amstrad product introductions.

### France

Our wholly owned subsidiary, Amstrad International SA has traded very well in its home market. Here again we have an excellent nationwide distribution network in place for all new Amstrad products. The Chief Executive, Ms. Marion Vanier, has strengthened the organisation in the past year, mainly in the sales and marketing area, in order to diversify the responsibilities by product category. Always ready to observe and learn from other Group activities, they have set up an expanded marketing section to concentrate on product management, advertising and marketing techniques.



### Other Markets

Whilst our new strategy is that of forming wholly owned subsidiaries for major overseas markets, we will nevertheless also trade in European, Middle East and Far East markets. At this time, these territories are covered by agents who carry the Amstrad name and have no diverse product ranges. Amstrad International Hong Kong will continue to support this important sector of our business, aided by the Amstrad Group marketing division, which advises these markets on our worldwide marketing methods and strategies.

### Hong Kong

Amstrad Manufacturing has our wholly owned manufacturing factory in Hong Kong, develops and produces computer printers which are sold throughout the Group's worldwide network of subsidiaries and agents, as well as to international third party customers on an OEM basis. Our factory has recently been expanded to make way for the production of some of the new, exciting products under development in our Hong Kong and U.K. design laboratories.

As predicted, we have made great inroads in the printer market. Within a year of entering the market, we have taken second place in terms of U.K. market share and similar shares have been won in France and Japan. We feel that with the new products under development, we will take the U.K. market leadership very soon and will further increase our international penetration.

Amstrad International Hong Kong, our major company in Hong Kong, has strengthened its management by the appointment of a full board of Directors covering all aspects of our activities there, including finance, sales, and research and development. The Managing Director, Mr. Stan Randall, an employee of Amstrad for the past 15 years, is now poised to lead the Hong Kong activities forward in the areas of sales, product development and in manufacturing. We recognise that Hong Kong is becoming an important manufacturing base for electronic products in the Far East.

In view of the rapidly revaluing Yen and Taiwan dollar, together with the unstable political situation in South Korea, Hong Kong is becoming a most stable territory for the manufacture of certain electronic products in our range. Our established manufacturing capacity is now an envied and valuable asset to the Group.

### Conclusion

Earlier in this statement I said that this current financial year will be one of consolidation and seed planting. My latter comments illustrate the formulation of a clear strategy.

To ensure the success of our expansion policy, the main board of Amstrad plc is being strengthened by the appointment of Mr. Jose Luis Dominguez, who will not only ensure the ongoing success of our Spanish operation, but will now share the responsibilities for international marketing in certain European and South American markets.

Mr. Dominguez does not come to us as a stranger, we have clearly seen his abilities put to great use in Spain over the last three years. We are sure that these same qualities will enable him to contribute valuably to the success of our new strategy.

Also joining the board is Ms. Marion Vannier who, again, is no stranger to the Company. The French market and its future development is of major importance to the Group. Her organisational abilities and sales drive will also be utilised in sharing aspects of European international marketing. Apart from France, her responsibilities will spread to our activities in the Benelux territories.

It is clear that Amstrad has a great deal ahead of it. We have laid down the plans and strengthened the team to enable us to go forward to the next major stepping stone in our history. Whilst the current year will show consolidation and strengthening of our management and markets, I am very confident that we will reap the benefits of our latest strategy in many years to come.

Once again I would like to take this opportunity to thank everyone in the Amstrad team, together with our suppliers, service contractors and consultants, for their effort and support, which I am sure we will continue to get in the years to come.

Alan Sugar  
Chairman



## Directors' Report

1987-1988

The directors take pleasure in presenting their report and the audited financial statements for the year ended 30th June, 1987.

### 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, USA and other export territories), from France (into France and French colonial markets) and from Amstrad Distribution Ltd trading to smaller, independent retailers in the UK.

### Results

Turnover for the year was £511.8 million (1986 - £304.1 million). Profit before taxation was £135.7 million (1986 - £75.3 million). Profit transferred to reserves was £89.6 million (1986 - £47.2 million).

The activities of the group are dealt with in the chairman's statement.

### Dividends

An interim dividend of 0.20p per share was paid on 10th April, 1987. The directors recommend the payment of a final dividend of 0.50p per share, making a total of 0.70p per share for the year.

### Directors and directors' interests

The present membership of the board is set out below. Mr R. J. East resigned from the board on 28th February, 1987.

Mr C. J. Heald was appointed on 30th March, 1987, at which time there was no beneficial holding of ordinary shares in his name. Mr J. L. Rice and Mr K. Ashcroft retire by rotation and together with Mr C. J. Heald, who retires under article 99, offer themselves for re-election.

The expiry dates of service contracts for directors offering themselves for re-election are

	Date of expiry
J. L. Rice	30th June, 1989
C. J. Heald	30th June, 1989
K. Ashcroft	30th December, 1987

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, 1987	30th June, 1986	
A. M. Sugar	249,213,750	249,918,750	—
J. L. Rice	57,050	60,650	1,176,000
N. F. Shearman	58,320	58,320	—
M. M. Miller	—	—	1,176,000
R. J. Watkins	—	—	1,176,000
K. Ashcroft	20,000	25,000	—
C. J. Heald	—	—	—

In addition Mr N. F. Shearman held a non-beneficial interest in 745,000 shares (1986 - 1,495,000), and Mr A. M. Sugar and Mr N. F. Shearman jointly held a non-beneficial interest in 350,000 shares (1986 - nil). There have been no changes in the above shareholdings since 30th June, 1987.

Details of the share option scheme are set out in note 20.

### Substantial shareholdings

Other than Mr A. M. Sugar's interest, the company was not aware of any substantial interests in its ordinary share capital at 29th August, 1987 (1986 - Clerical Medical & General Life Assurance Society had an interest in 38,769,250 ordinary shares representing 7.1 per cent of the issued ordinary shares).



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#### **Tangible fixed assets**

Details of the movement in the tangible fixed assets of the company during the year are disclosed in note 10 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 donations were made during the year (1986 - nil).

#### **Close company status**

The close company provisions of the Income and Corporation Taxes Act 1970 (as amended) do not apply to the company.

#### **Auditors**

A resolution to reappoint the auditors Touche Ross & Co. and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

29th September, 1987  
Brentwood House,  
169 Kings Road,  
Brentwood,  
Essex CM14 4EF

By order of the board  
J. L. Rice  
Secretary

# Consolidated Profit and Loss Account

for the year ended 31st March 1987  
Amstrad plc



	Note	1987 £000	1986 £000
<b>Turnover</b>	1	511,798	491,159
Change in stock of finished goods and work in progress		52,222	1,298
		564,020	492,457
Other operating income		858	318
		564,878	492,775
Raw materials and consumables		(399,998)	(207,130)
Other external charges		(20,470)	(18,924)
Staff costs	2	(7,261)	(4,972)
Depreciation and other amounts written off intangible and tangible fixed assets		(1,645)	(1,108)
Other operating charges		(3,783)	(3,851)
		(433,157)	(235,745)
<b>Operating profit</b>		131,721	73,051
Other interest receivable and similar income		5,174	4,198
Interest payable and similar charges	3	(1,183)	(1,965)
<b>Profit on ordinary activities before taxation</b>	4	135,712	75,284
Tax on profit on ordinary activities	5	(42,313)	(23,270)
<b>Profit on ordinary activities after taxation</b>	17	93,399	52,014
Extraordinary items	6	—	(2,954)
<b>Profit for the financial year attributable to shareholders of Amstrad plc</b>		93,399	49,051
Dividends paid and proposed	7	(3,816)	(1,893)
<b>Profit retained for 1987</b>	18	89,583	47,158
<b>Earnings per share</b>			
Based on profit on ordinary activities after taxation	8	17.13p	9.54p



# Consolidated Balance Sheet

As at 30th September 1987

	Note	1987 £000	1986 £000
<b>Fixed assets</b>			
Intangible fixed assets	9	284	579
Capital fixed assets	10	11 620	7 219
Investments	11	980	
		<u>12 884</u>	<u>7 798</u>
<b>Current assets</b>			
Stocks	12	95,687	33,277
Debtors	13	68,520	45,934
Cash at bank and in hand		107,630	62,967
		<u>271,837</u>	<u>142,178</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(105,202)</u>	<u>(61,175)</u>
<b>Net current assets</b>		<u>166,635</u>	<u>80,903</u>
<b>Net assets</b>		<u>179,519</u>	<u>88,103</u>
<b>Capital and reserves</b>			
Called up share capital	16	27,260	27,260
Other reserves	18	1,204	608
Profit and loss account	18	151,055	60,235
<b>Shareholders' funds</b>		<u>179,519</u>	<u>88,103</u>

These financial statements were approved by the board of directors on 29th September, 1987

Director

The notes on pages 19 to 21 form part of these financial statements



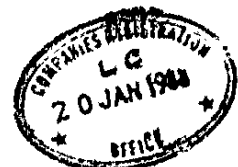
**Balance Sheet** as at 30 September 1987  
AMETRAD

		1987		1986	
	Note	£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	9		264		379
Tangible assets	10		8,933		6,499
Investments	11		1,921		442
			<u>11,138</u>		<u>7,320</u>
<b>Current assets</b>					
Stocks	12	76,331		21,904	
Debtors	13	39,963		31,602	
Cash at bank and in hand		45,121		40,221	
		<u>161,415</u>		<u>93,727</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(78,077)</u>		<u>(62,691)</u>	
<b>Net current assets</b>			<u>83,338</u>		<u>31,036</u>
<b>Net assets</b>			<u>94,476</u>		<u>48,246</u>
<b>Capital and reserves</b>					
Called up share capital	16		27,260		27,260
Profit and loss account	18		67,216		20,986
<b>Shareholders' funds</b>			<u>94,476</u>		<u>48,246</u>

These financial statements were approved by the board of directors on 29th September, 1987

Director

The notes on pages 16 to 21 form part of these financial statements





# Consolidated Statement of Source and Application of Funds

As at 31/12/87

	1987 A\$'000	1986 A\$'000
<b>Source of funds</b>		
Profit on ordinary activities before taxation	135,712	75,281
Adjustment for items not involving the movement of funds		
Depreciation of intangible and tangible fixed assets	1,613	1,186
Loss (profit) on sale and write-off of tangible fixed assets	32	(17)
Exchange differences	1,527	(1,487)
Total generated from operations	138,884	74,963
Proceeds from sale of goodwill and licences	—	424
Proceeds from disposal of tangible fixed assets	64	153
Proceeds from sale of investment	—	257
Total source of funds	138,948	75,797
<b>Application of funds</b>		
Cost of intangible assets	(766)	(517)
Purchase of tangible fixed assets	(5,647)	(1,921)
Tax paid	(24,016)	(2,407)
Dividends paid	(2,453)	(1,204)
Acquisition of Sinclair Intellectual Property Rights	—	(5,000)
Purchase of investment in associated company	(980)	—
Total application of funds (excluding working capital)	(33,462)	(10,539)
	105,486	65,258
<b>Movement in working capital</b>		
Increase in stocks	(62,410)	(8,144)
Increase in debtors and bills receivable	(22,572)	(16,487)
Increase in creditors and bills payable	14,592	5,150
Total movement in working capital	(70,390)	(19,481)
Movement of net liquid funds	35,096	45,777







## Statement of Accounting Policies

Amstrad plc

a) **Accounting convention**

The financial statements are prepared under the historical cost convention.

b) **Consolidation**

The group financial statements consolidate those of the company and all subsidiaries for the financial year ended 30th June 1987.

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 investment 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, on a straight line basis at annual rates based on the estimated economic lives of the tangible fixed assets as follows:

Freehold buildings	2%
Plant, machinery and tooling	10% - 50%
Furniture and fittings, vehicles and equipment	10% - 50%

Leasehold land and buildings are amortised over 50 years, or the period of the lease, whichever is the less. Freehold land is not depreciated.

d) **Foreign currencies**

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rate ruling at that date unless they are covered by forward exchange contracts where the rate of the contract is used. Translation differences are dealt with in the profit and loss account. Forward currency contracts existing at the year end which are in excess of purchase commitments and in which a gain or loss has then arisen are recognised as part of the profit on ordinary activities of the year.

The financial statements of the foreign subsidiary companies are translated at the rate of exchange ruling at the year end. Differences on exchange arising from the translation of the opening net assets of the foreign subsidiaries at the year end rate are taken direct to reserves.

e) **Stocks and work in progress**

Stocks 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**

Deferred tax is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

g) **Investments**

Investments in the accounts of Amstrad plc are stated at cost.

h) **Intangible fixed assets**

Intangible fixed assets comprise development costs in connection with the company's micro computer products which are written off over eighteen months.



# Auditors' Report

Amstrad plc

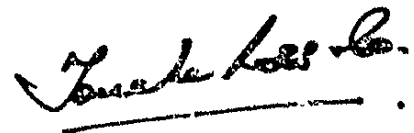
Touche Ross & Co  
H.O House  
1 Little Bow Street  
London EC4A 3TR

 **Touche Ross**  
Chartered Accountants

## To the members of Amstrad plc

We have audited the financial statements on pages 10 to 14, and 16 to 21 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, 1987, 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.

A handwritten signature in cursive script, appearing to read "Touche Ross & Co.", written over a horizontal line.

29th September, 1987

*Chartered Accountants*



# Notes to the Financial Statements

Amstrad plc

1 Turnover	1987 £000	1986 £000
The turnover of the year was attributable to geographical areas as follows		
United Kingdom	222,538	177,188
France	92,808	65,272
Germany	63,942	57,530
Spain	62,581	42,408
Other European countries	41,299	11,387
Asia	3,926	2,157
Australia	11,140	8,653
North America	13,664	17,258
	<u>511,798</u>	<u>391,150</u>

Turnover consists of the total sales invoiced to external customers during the year exclusive of value added tax and other sales taxes

2 Staff costs	1987 £000	1986 £000
Directors' emoluments	391	386
Ex gratia payment to former director	—	20
	<u>391</u>	<u>386</u>
The remuneration of the Chairman and highest paid director was	<u>105</u>	<u>103</u>

The directors' remuneration was distributed as follows

Ranges of remuneration	No	No
£ 5,001 to £ 10,000	2	2
£ 10,001 to £ 15,000	1	—
£ 10,001 to £ 45,000	—	1
£ 55,001 to £ 60,000	1	1
£ 60,001 to £ 65,000	1	—
£ 65,001 to £ 70,000	2	—
£ 100,001 to £ 105,000	1	1

The number of group employees, other than directors and those who worked wholly or mainly outside the United Kingdom, whose remuneration was in excess of £30,000 were as follows

Ranges of remuneration	No	No
£ 30,001 to £ 35,000	1	1
£ 35,001 to £ 40,000	1	—
£ 40,001 to £ 45,000	—	1
£ 45,001 to £ 50,000	2	—

	£000	£000
Wages and salaries including directors' emoluments	6,423	4,192
Social security costs	838	980
Total	<u>7,261</u>	<u>5,172</u>

These costs were in respect of the average number of employees during the year as follows

	No	No
Production	519	293
Sales, distribution and administration	356	272
	<u>875</u>	<u>565</u>



	1987	1986
3 Interest payable and similar charges	£000 1,183	£000 1,095
Interest payable on £1,000,000 against interest received on investments repayable within 5 years	1,183	1,095
Flow interest on £1,000,000 payable	—	—
	<u>1,183</u>	<u>1,095</u>
4 Profit on ordinary activities before taxation is after charging	1987 £000 1,113	1986 £000 1,185
Depreciation of tangible and intangible fixed assets	113	87
Auditors' remuneration	17	19
Hire of plant and machinery	37	19
	<u>1,113</u>	<u>1,185</u>
5 Tax on profit on ordinary activities	1987 £000 28,921	1986 £000 16,751
United Kingdom corporation tax at 45% (1986 - 38.75% based on the profit for the year)	28,921	16,751
Deferred tax (note 11)	2,273	13,020
Overseas tax	11,119	9,550
	<u>42,313</u>	<u>39,321</u>
6 Extraordinary items	1987 £000 —	1986 £000 15,000
Write off of cost of Sinclair Intellectual Property Rights	—	15,000
Proceeds from sale of goodwill and licences	—	420
Net tax credit on extraordinary items	—	1,629
	<u>—</u>	<u>16,629</u>
Total extraordinary items net of tax	<u>—</u>	<u>16,629</u>
7 Dividend		
The directors propose a final dividend of 0.50p (1986 - 0.25p) per ordinary share, which together with the interim dividend of 0.20p (1986 - 0.10p) per ordinary share paid on 10th April 1986 makes a total distribution of 0.70p (1986 - 0.35p) per ordinary share in respect of the year ended 30th June 1987. This is equivalent to 0.97p (1986 - 0.49p) per ordinary share with the related tax credit at the current rate of 27.73rd (1986 - 29.71%)		
8 Earnings per share		
The calculation of earnings per share is based on profit after tax on the ordinary shares in issue at 30th June 1987. The comparative has been adjusted to reflect the capitalisation issue on 2nd June 1986		
9 Intangible fixed assets	1987 £000 854	1986 £000 747
Development costs		
Cost		
At 1st July 1986	854	747
Amounts capitalised in the year	366	517
Amount fully written down	(337)	—
	<u>883</u>	<u>874</u>
At 30th June 1987	<u>883</u>	<u>874</u>
Amortisation		
At 1st July 1986	475	577
Charged in year	461	208
Amounts fully written down	(337)	—
	<u>599</u>	<u>475</u>
At 30th June 1987	<u>599</u>	<u>475</u>
Net book value		
At 30th June 1987	<u>284</u>	<u>399</u>



## Notes to the Financial Statements

31/12/87

### (b) Tangible fixed assets

	Freehold land and buildings	Leased land and buildings	Plant machinery and tooling	Motor vehicles and equipment	Total
<b>CONSOLIDATED</b>					
Cost at 1st July, 1986	5,350	14	1,373	2,090	8,827
Exchange differences			(17)	16	(1)
Additions	1,713	1,139	820	1,975	5,647
Disposals		(14)	(198)	(347)	(559)
Cost at 30th June, 1987	7,063	1,139	1,978	3,734	13,914
Depreciation at 1st July, 1986	189	1	612	776	1,678
Exchange differences			(7)	4	(3)
Charged in year	101	15	506	532	1,152
On disposals		(1)	(480)	(282)	(763)
Depreciation at 30th June, 1987	290	15	667	1,030	1,994
Net book value At 30th June, 1987	<u>6,773</u>	<u>1,124</u>	<u>1,311</u>	<u>2,704</u>	<u>11,920</u>
Net book value At 30th June, 1986	<u>5,161</u>	<u>13</u>	<u>761</u>	<u>1,314</u>	<u>7,249</u>
<b>COMPANY</b>					
Cost at 1st July, 1986	5,350	14	1,021	1,502	7,887
Additions	1,713		548	987	3,248
Disposals		(14)	(397)	(318)	(729)
Cost at 30th June, 1987	7,063		1,172	2,171	10,406
Depreciation at 1st July, 1986	189	1	515	683	1,388
Charged in year	101		352	301	754
On disposals		(1)	(40)	(274)	(676)
Depreciation at 30th June, 1987	290		473	710	1,473
Net book value At 30th June, 1987	<u>6,773</u>		<u>699</u>	<u>1,461</u>	<u>8,933</u>
Net book value At 30th June, 1986	<u>5,161</u>	<u>13</u>	<u>506</u>	<u>819</u>	<u>6,499</u>



11 Investments	Consolidated		Company	
	1987 £000	1988 £000	1987 £000	1988 £000
Shares in subsidiary companies	—	—	941	442
Shares in subsidiary companies at cost	980	—	980	—
At 30th June 1987	980	—	1 921	442

The following information relates to the company's wholly owned subsidiaries and associated company which in the opinion of the directors principally affect the consolidated profits or assets of the group:

Name of subsidiary	Country of incorporation
Amstrad International (Hong Kong) Limited (and its wholly owned subsidiary Amstrad Microtronics (MIG) Ltd)	Hong Kong
Amstrad S A	France
Amstrad Distribution Limited	England
Amstrad International (USA) Inc	USA
Name of associated company	
Finan Amstrad Ltd (980,000 shares representing 49% of the share capital)	England

12 Stocks	Consolidated		Company	
	1987 £000	1988 £000	1987 £000	1988 £000
The amounts attributed to the different categories are as follows:				
Raw materials and consumables	16 360	6 000	13 999	5 000
Work in progress	491	270	145	158
Finished goods and goods for resale	78 836	26 000	62 187	19 250
	95 687	32 270	76 331	24 408

13 Debtors	Consolidated		Company	
	1987 £000	1988 £000	1987 £000	1988 £000
Trade debtors and bills of exchange receivable	54 809	38 425	13 426	3 011
Amounts owed by group companies	—	—	20 123	18 521
Other debtors	9 343	3 524	5 190	2 023
Prepayments	601	334	39	127
Deferred taxation (note 14)	1 934	3 755	1 794	1 920
Overseas taxation	1 833	—	—	—
	68 520	46 038	40 568	25 582

14 Deferred taxation	Consolidated		Company	
	£000	£000	£000	£000
Asset at 1st July 1986	3 755	—	1 920	—
(Charged to profit and loss account (note 5))	(2 273)	—	(578)	—
Movement on advanced corporation tax recoverable	452	—	452	—
Asset at 30th June 1987 (note 13)	1 934	—	1 794	—

The deferred asset represents	Consolidated		Company	
	1987 £000	1988 £000	1987 £000	1988 £000
Capital allowances in excess of depreciation	(446)	(1 124)	(446)	(1 124)
Advanced corporation tax recoverable	1 010	658	1 010	658
Short term timing differences	1 370	3 450	1 250	1 700
Deferred tax asset	1 934	3 084	1 794	1 920



## Notes to the Financial Statements

Continued

15 Creditors amounts falling due within one year	Consolidated		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Bank loans and overdrafts	13,362	3,295	—	568
Trade creditors	8,451	4,588	6,851	3,049
Bills of exchange payable	14,190	7,630	7,250	5,193
Amounts owed to group companies	—	—	15,418	1,172
Amounts owed to associated company	523	523	523	—
UK corporation tax	31,537	19,333	30,509	18,910
Other taxation and social security costs	217	211	58	75
Overseas taxation	16,193	10,392	—	—
Other creditors	12,434	9,062	12,723	8,209
Accruals and deferred income	5,569	4,871	2,019	3,750
Dividend proposed	2,726	1,363	2,726	1,363
	<u>105,202</u>	<u>61,175</u>	<u>78,077</u>	<u>42,691</u>

16 Called up share capital	30th June, 1987		30th June, 1986	
	Ordinary shares of 5p each	£000	Ordinary shares of 5p each	£000
	Shares		Shares	
The authorised share capital comprised	720,000,000	36,000	720,000,000	36,000
Of which the following were allotted, issued and fully paid up				
At 1st July, 1986	545,208,330	27,260	109,011,666	5,452
1 for 1 Capitalisation Issue	—	—	436,166,664	—
Transfer from share premium account	—	—	—	12,327
Transfer from reserves	—	—	—	9,481
At 30th June, 1987	<u>545,208,330</u>	<u>27,260</u>	<u>545,208,330</u>	<u>27,260</u>

- 17 Profit on ordinary activities after taxation
- As permitted by Section 228(7) of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The consolidated profit for the financial year includes £50,016,000 (1986 £19,063,000) which is dealt with in the accounts of the parent company.

18 Reserves	Consolidated		Company Profit and loss account £000
	Other reserves £000	Profit and loss account £000	
At 1st July, 1986	608	60,235	20,986
Profit retained for the year	—	89,583	46,230
Non-distributable reserve arising on capitalisation issue by subsidiary	496	(496)	—
Foreign exchange translation differences	—	1,833	—
Non-distributable legal reserve in French subsidiary	100	(100)	—
At 30th June, 1987	<u>1,204</u>	<u>151,055</u>	<u>67,216</u>



19	Capital expenditure	1987 £000	1986 £000
	Contracted for but not provided in the financial statements	—	—
	Authorised but not contracted for	—	—
		—	—

20 Share option scheme  
 There is a share option scheme for the directors and senior employees and the scheme options are normally exercisable between the third and tenth anniversary of the date of grant. No options were exercised under this scheme during the year. Options on shares granted under this scheme are as follows:

Date of grant	Price per fully paid share	Normal dates of exercise	No. of ordinary shares
23rd July, 1985	13 6p	1988-1995	11,845,000
22nd February, 1986	6 8p	1989-1996	399,115
31st October, 1986	120 0p	1989-1996	823,958
27th February, 1987	157 0p	1990-1997	62,044

21 Contingent liabilities  
 The company is currently involved in legal proceedings relating to advertisements run in 1984 relating to some of its audio equipment. The directors consider that the result of these proceedings will have no material effect on the net asset position.

Amstrad plc has guaranteed the overdraft facilities of subsidiary companies to the extent of £22.8 million (1986 £53.4 million).

22 Post balance sheet events  
 Since 30th June, 1987, the company has announced the acquisition of existing Amstrad distributors. In the USA, Video Inc. was acquired for a total purchase price of £5,100,000, the consideration consisted of 2,222,222 ordinary shares in Amstrad plc, and the balance in cash. In Spain, Indescomp SA was acquired for a total purchase price of £21,700,000, the consideration consisted of 8,812,518 ordinary shares in Amstrad plc and the balance in cash.





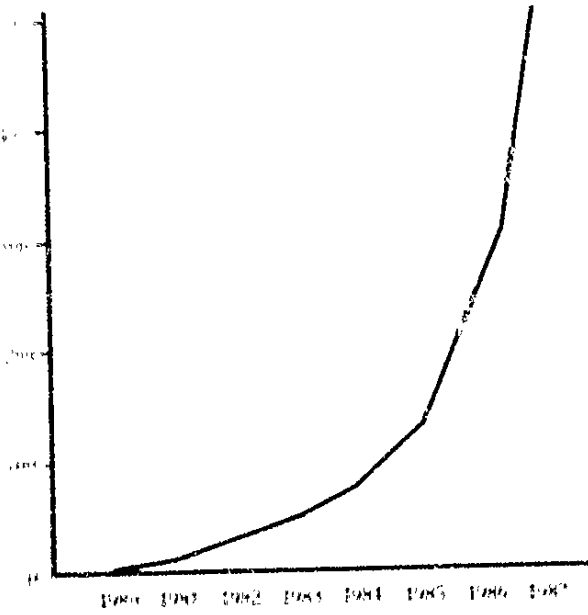
## Financial Record as a Public Company

	Note	1980	1981	1982	1983	1984	1985	1986	1987
Turnover (excluding VAT) (£000)		8,761	14,126	28,059	51,785	84,946	133,061	304,150	511,798
Profit before taxation (£000)	1	1,361	2,376	4,770	8,044	9,115	20,157	75,284	135,712
Profit after taxation (£000)	1	1,058	1,237	2,583	5,319	5,664	14,010	52,005	93,399
Dividends pence/share (incl tax credit)	2	0.06	0.11	0.14	0.16	0.19	0.27	0.49	0.97
Dividend cover (times)	3	5	3	6	10	8	14	27	24
Retained profit for the year (£000)		807	1,105	2,421	5,104	4,963	12,941	47,158	89,583
Earnings pence/share after tax	2	0.22	0.26	0.54	1.12	1.17	2.57	9.54	17.13
Share capital and reserves (£000)		3,669	4,773	7,194	12,298	29,237	42,170	88,103	179,519
<b>Key Ratios</b>									
Turnover growth over prior year		56.5%	61.2%	98.6%	84.6%	64.0%	60.2%	123.5%	68.3%
Profit before tax over prior year		49.9%	74.6%	100.8%	68.6%	13.3%	121.1%	273.5%	80.3%
Profit before tax as a percentage of sales		15.5%	16.8%	17.0%	15.5%	10.7%	14.8%	24.8%	26.5%

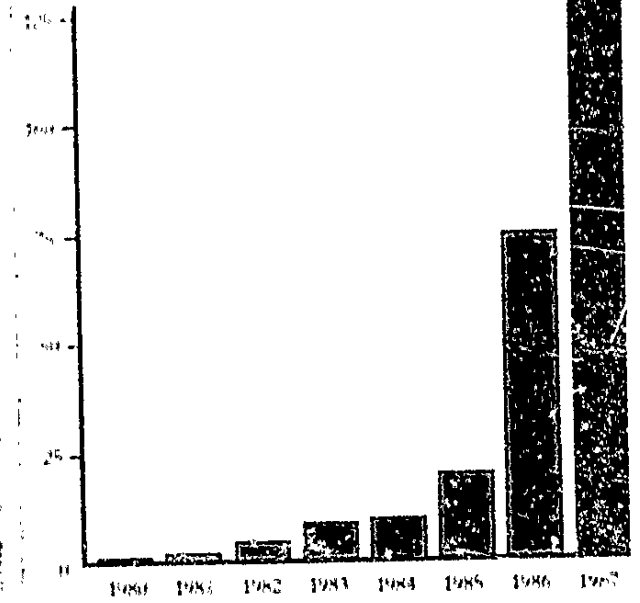
### Notes

- Profit figures other than retained earnings exclude extraordinary items.
- As adjusted to reflect the 1 for 1 capitalisation issue on 25th November, 1982, the 4 for 1 bonus issue on 4th November, 1983, the 1 for 6 rights issue on 11th May, 1984 and the 4 for 1 capitalisation issue on 2nd June, 1986.
- Calculated before waiver of dividends for years 1980 to 1983 by A. M. Sugar.

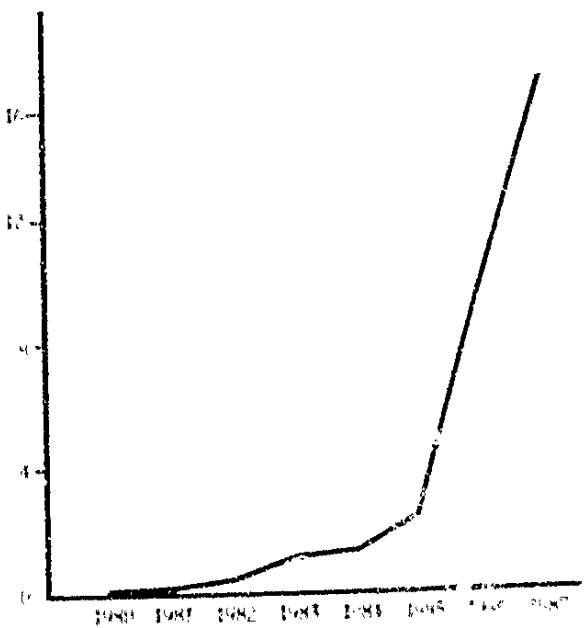
Turnover £ m



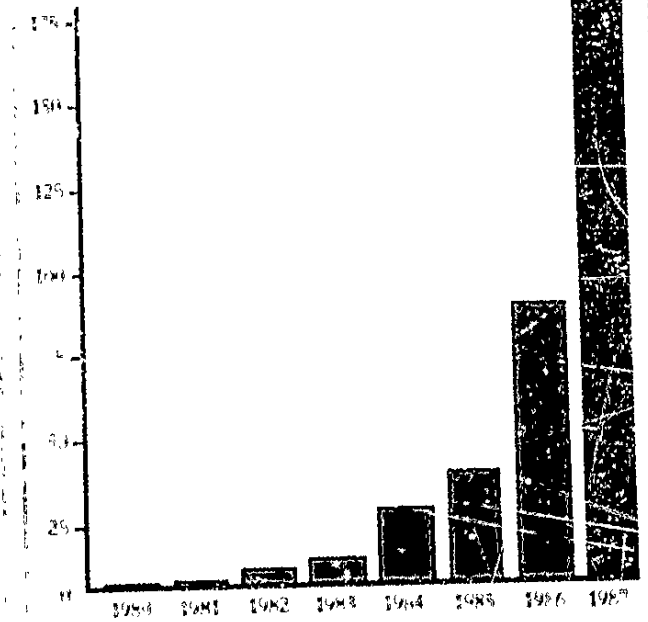
Profit before taxation £ m



Earnings per share, pence



Share capital and reserves £ m





## Amstrad Group Operating Companies

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### UK and Group

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

### Amstrad Distribution Limited

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

### Funal Amstrad Limited

Unit 14,  
Campfield Road,  
Shoeburyness,  
Essex SS3 9BZ

### Hong Kong

#### Amstrad International (Hong Kong) Limited

Unit No. 9,  
12th Floor,  
Tower A,  
Hung Hom Commercial Centre,  
37-39 Ma Tau Wai Road,  
Hung Hom,  
Kowloon,  
Hong Kong

#### Amstrad Microtronics (Mfg) Limited

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

### France

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

### USA

Amstrad Inc  
1915 Westridge Drive,  
Irving,  
Texas 75038,  
USA

### Italy

Amstrad SpA  
Via Riccione 14,  
20156 Milan,  
Italy

### Spain

Amstrad Espana SA  
Aravaca 22,  
28040 Madrid,  
Spain