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Amstrad plc

Annual Report
1989/90

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Results at a Glance for the year ended 30th June, 1990

Amstrad plc

	1990		1989	
	£m	% of turnover	£m	% of turnover
Turnover:				
By geographical territory				
United Kingdom	251.2	43.5	253.4	40.5
France	104.2	18.1	114.5	18.3
Spain	59.5	10.3	81.0	12.9
Italy	45.7	7.9	46.9	7.5
Germany	42.7	7.4	28.7	4.6
Australasia	27.8	4.8	29.1	4.6
Benelux	22.2	3.8	9.5	1.5
North & South America	13.8	2.4	37.9	6.1
Other European Countries	7.0	1.2	23.3	3.7
Asia & Africa	3.2	0.6	2.0	0.3
Total	577.3	100.0	626.3	100.0
By class of business				
Professional computers	268.8	46.6	347.1	55.4
Satellite receivers and dishes	107.3	18.6	38.1	6.1
Home computers	78.6	13.6	100.6	16.1
Video	67.9	11.8	84.2	13.4
Printers/Fax	29.6	5.1	34.9	5.6
Audio	25.1	4.3	21.4	3.4
Total	577.3	100.0	626.3	100.0
Profit on ordinary activities before taxation	43.7	7.6	76.6	12.2
Profit on ordinary activities after taxation	34.3	5.9	51.1	8.2
Dividends per share	1.40p		1.40p	
Earnings per share	6.07p		9.07p	
Dividend cover	4.3			

Dividend payment

The final dividend will be posted on 23rd November, 1990 to ordinary shareholders who are registered on the books of the company at the close of business on 1st November, 1990.



Amstrad Group Operating Companies

Australia

Amstrad Pty Limited
Building C,
The Lakes Business Park,
Lord Street,
Botany, NSW 2019,
Australia

Belgium

S.A. Amstrad Belgium N.V.
Excelsiorlaan 51,
B 1930 Zaventem,
Belgium

France

Amstrad International S.A.
72-78 Grand Rue,
92310 Sevres,
Paris,
France

Germany

Amstrad GmbH
Dreierichstrasse 8,
6082 Morfelden Walldorf,
Germany

Germany

Amstrad Fidelity GmbH
Kastanienallee 8-10,
6143 Lorsch,
Germany

Holland

Amstrad B.V.
Zeisteroever 7,
3704 GB Zeist,
Holland

Italy

Amstrad SpA
Via Riccione 14,
20156 Milan,
Italy

New Zealand

Amstrad New Zealand Limited
130 St George's Bay Road,
Parnell,
Auckland,
New Zealand

Republic of Ireland

Amstrad Sales Ireland Limited
Unit 6,
Cookstown Industrial Estate,
Tallaght,
Dublin 24,
Republic of Ireland

Spain

Amstrad Espana SA
Ronda De Valdecarrizo S/N.
Sector 10, Parcela 2,
Tres Cantos,
28760 Colmenar Viejo (Madrid),
Spain

United Kingdom

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

United Kingdom

Amstrad Distribution Limited
Units 23/24,
Rosevale Road,
Parkhouse Industrial Estate,
Chesterton,
Newcastle,
Staffs ST5 7QS

USA

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



Directors and Advisers

The Board of Directors

A. M. Sugar DSc (Chairman and Managing Director)

J. L. Rice BA

M. M. Miller BA

R. J. Watkins

K. Ashcroft FCA, FCMA

M. F. Vannier (France)

P. Y. Thoms FCA

Secretary

J. L. Rice BA

Registered Office

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

Auditors

Tauche 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

James Capel & Co.,
6 Bevis Marks,
London EC3A 7JQ

Clearing Bankers

Lloyds Bank Plc,
72 Lombard Street,
London EC3P 3BT

Merchant Bankers

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

Solicitors

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

Estate Agents and Surveyors

Goldstein Leigh Miles,
43 Portland Place,
London W1N 3AG



Chairman's Statement

Sales and profit before tax for the 12 months to 30th June, 1990 were £577.3 million and £43.7 million respectively.

The directors are proposing a final dividend of 1.0p per share, the same as last year. This brings the total dividend for the year to 1.4p per share (unchanged). The final dividend is payable on 23rd November, 1990 to shareholders on the register on 1st November, 1990.

The Year

The results will come as no surprise to shareholders and the market since I strongly emphasised in last year's statement that our strategy would be to concentrate on cash generation and inventory reduction even at the expense of profitability. As you will see we have achieved these objectives and remained profitable. Peak inventory levels in the year reached £335 million, and bank borrowing peaked at £114 million. The position at 30th June, 1990 shows a much healthier Balance Sheet with inventory levels at £188 million and a positive net cash figure of £24 million. This, as far as I am concerned, is a good achievement considering the state and condition of our markets. We have all seen the casualties and problems in the recent months of many public companies, some of which were forced into receivership due to the high cost of borrowing.

Sales of professional and entertainment computers in the last quarter of our financial year were disappointing. The well rumoured, future introduction of our new products in both those sectors together with shortages of good quality hard disk drives, which restricted sales of our top range 386 based computer, were some of the reasons for the reduction in our full year's sales.

In the recent past our computer business has been dominant, but I have always emphasised the importance of remaining in both the leisure and personal computer sectors. Each sector has its own cycle of demand and Amstrad has demonstrated typical foresight in identifying an emerging leisure market in satellite receivers. During this year we have enjoyed exceptional growth in this product and we have taken a dominant market position in the UK, Germany and Holland.

The reshaping of our Spanish company has resulted in reduced volume but more importantly a return to profitable trading.

We have scaled down our operation in the USA to avoid holding high risk inventory unique to that market. This has resulted in lower sales volumes.

We have made a deliberate decision to cease trading in countries where Amstrad does not have a directly owned subsidiary. This is to avoid the disorderly marketing which occurred in the past. We are studying these areas with a view to forming our own subsidiary companies or entering into more formal agency agreements or joint ventures. In the process of reorganising this sector of our business we have experienced some decline in sales volume.

Sales by sector for the period break down into the following categories:

	12 months to 30th June, 1990		12 months to 30th June, 1989	
	£m	% of turnover	£m	% of turnover
Professional computers	268.8	46.6	347.1	55.0
Satellite receivers and dishes	107.3	18.6	38.1	6.1
Home computers	78.6	13.6	100.6	16.1
Videos	67.9	11.8	84.2	13.4
Printers/Fax	29.6	5.1	34.9	5.6
Audio	25.1	4.3	21.4	3.4
TOTAL	577.3	100.0	626.3	100.0



New Products

Apart from the task of restructuring the Balance Sheet, we have developed many new products during the year. I have mentioned many times before that products are the bloodline of our company. I am particularly pleased that we found the energy, spirit and concentration not only to overcome our financial problems and fight off the well publicised quality issues, but also to manage our biggest ever programme of new product introductions.

One of the first new products launched this year was our Laptop range of computers which demonstrated that Amstrad not only has the in house skills to design highly specified, leading edge technology items but can also produce them to the highest quality standard and still offer the best price to performance ratio. Our advertising campaign for this range tells the story. We rely simply on the words of others to sing the praise of the products. These items together with the New Generation 3 range of Desk Top computers have received excellent acclaim from the computer press and other independent professional appraisers. This third party praise and respect for our products will be quoted in future in all our advertising and marketing activities as the way forward to instil consumer confidence in our products on a long term basis.

Other products introduced during this year include new satellite receivers and dishes designed for both the UK and overseas markets, a whole new range of entertainment computers plus a games console, a fully automatic video camera with zoom and playback functions, and a whole new range of video recorders headed by the flagship "DOUBLE DECKER" Twin Deck VCR.

In this, our first year of Fax machine sales, we introduced three new models. All of these products were developed during the financial year on which I am now reporting, and most of the benefit of these products will, of course, impact in our current financial year.

Structure

It is quite clear from the accounts that we have decided to take a realistic view in making provisions in this year's results.

We have rationalised some of our overseas subsidiaries by reducing overheads and facilities and taking realistic views on inventory values for product which is only saleable in those markets. We have closed our Hong Kong factory and trading company, closed our audio assembly plant, disposed of unwanted property assets and reorganised distribution and territory arrangements in the Spanish market. We have also taken a realistic view in valuing our 9% shareholding in Micron Technology. I believe we have come a long way in the "cleaning up" process of Amstrad and that we have provided in these accounts, a positive base for us to go forward.

Our new corporate culture has resulted in improved management controls and there is very close monitoring of market and financial performance. Our pan-European design standardisation and our improved global inventory information systems are now enabling us to react quickly to changes in sales and sales mix performance as well as the inevitable adjustments to manufacturing schedules.

During the year much effort has been given to the improvement of design, manufacturing and quality control procedures, the benefit of which we have already seen in the new products entering the market place. We have already received independent reviews confirming the excellent standard of quality and reliability.

There is still some work to do in the general reduction of overheads but the further rationalisation will merely be normal day to day decisions that will reflect in higher profitability in the year to come. Although reduced in value, the product mix ratio of our inventory is not ideal and will result in lower margin sales of some items until the mix ratio is satisfactory.

One point which may interest our shareholders is the dramatic swing away from Far East to UK manufacture and EC component sourcing. We now source our New Generation 3 Desk Top computers in Scotland, and at the same time I would like to point out that we are now the only British owned PC manufacturer. Our satellite dishes are made in the Midlands and the Low Noise Block (LNB) used in the dish is made in the UK. Our top end model Fax machine is made in Northern Ireland and all our video recorders are made in Shoeburyness (UK).

We now procure 60% of our materials and products in the European Community. Although we have no factories of our own, it is evident that our UK subcontractors, and indeed their suppliers, employ many people who depend on Amstrad.



Chairman's Statement (continued)

I am particularly pleased that our management reshuffle in Germany is paying dividends. This coincides with a sharp increase in satellite receiver sales generated by the transmission of four German channels on the Astra satellite. This has given us tremendous brand awareness and market leadership in satellite receivers. It should have the necessary "spin off" effect on to other products and I sincerely believe that our German subsidiary is now poised to go forward, not only in satellite but in other product sectors. We have also formed a new company in Germany, Amstrad Fidelity GmbH, to specialise in Brown Goods and strengthen our sales in the Eastern Bloc countries.

The Future

I promised to launch six new product ranges during 1990 and this we have achieved. We have no shortage of ideas for new products and there is an aggressive development programme with a host of new concepts on the drawing board in both the Business Computer and Brown Goods sectors.

We are also studying the expansion of our overseas markets with a view to penetrating those parts of Europe where we do not have a subsidiary, such as Scandinavia, Greece, Portugal, Turkey and Eastern Bloc countries. We have enough experience now to avoid some of the past mistakes we made in both management selection and market expectations.

Realistically, we cannot ignore the current economic climate and I just hope that there is no further deterioration in the world economic situation which could have a severe impact on our business. Now that we have many new ranges of products and a healthy Balance Sheet, we are well poised to go forward.

Finally, I would like to take this opportunity to thank all of the loyal staff at Amstrad for their continued efforts during our recent troubled times, and express my appreciation to our suppliers, subcontractors, bankers and advisers for their continued support.

A handwritten signature in black ink, appearing to read "Alan Sugar". The signature is fluid and cursive, with a large loop at the end of the last name.

A. M. Sugar
Chairman

9th October, 1990



Directors' Report

Amstrad plc

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30th June, 1990.

Principal activities

The company is engaged in the design, manufacture and distribution of consumer electronic and micro computing products.

Results

Turnover for the year was £577.3 million (1989 £626.3 million). Profit before taxation was £43.7 million (1989 £76.6 million). Profit transferred to reserves was £2.3 million (1989 £43.1 million).

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

Dividends

An interim dividend of 0.40p per share was paid on 12th April, 1990. The directors recommend the payment of a final dividend of 1.00p per share, unchanged from last year, making a total of 1.40p per share.

Directors and directors' interests

The present membership of the board is set out on page 3. Mr. J. L. Dominguez Morales resigned on 3rd October, 1989 and Mr. N. F. Shearman retired on 11th December, 1989. Mr. P. Y. Thoms was appointed on 12th February, 1990, at which time he was the beneficial owner of 11,500 ordinary shares and a participant in the Share Option Scheme dated 20th November, 1989 and held an option on 700,000 ordinary shares. Mr. M. M. Miller and Mr. R. J. Watkins retire by rotation together with Mr. P. Y. Thoms who retires under Article 99 of the Articles of Association, and all offer themselves for re-election.

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

	Date of Expiry
M. M. Miller	30th June, 1991
R. J. Watkins	30th June, 1991
P. Y. Thoms	30th June, 1991

Details of a transaction to sell a Spanish property to a former director, Mr. J. L. Dominguez-Morales, by Amstrad Espana S.A., were disclosed in a circular dated 10th November, 1989.

No other director has or had, during the year or at the end of the year, any beneficial interest in any material contract with the company, which was or is significant in relation to the company's business.

Directors' interests	No. of ordinary shares beneficially held		Share Option Schemes	
	30th June, 1990	30th June, 1989	30th June, 1990	30th June, 1989
A. M. Sugar	248,318,750	248,518,750	—	—
J. L. Rice	879,150	879,150	700,000	—
M. M. Miller	721,000	721,000	700,000	—
R. J. Watkins	574,000	574,000	700,000	—
K. Ashcroft	900,000	900,000	700,000	—
M. F. Vannier	500,000	500,000	700,000	—
P. Y. Thoms	11,500	—	700,000	—

No other changes in directors' interests as at 30th June, 1990 took place up to 12th September, 1990.

Details of the share option schemes are set out in note 22 to the financial statements.

Substantial shareholdings

At 12th September, 1990 the company had been notified that Globe Investment Trust PLC had an interest in 18,685,000 ordinary shares representing 3.3% of the issued ordinary shares.

Fixed assets

Details of movements in the fixed assets of the group and the company during the year are disclosed in notes 9 and 10 to the financial statements.



Directors' Report (continued)

Amstrad plc

Health and safety

In accordance with the provisions of the Health and Safety at Work 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 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, and the managing directors of subsidiary companies, to ensure that the staff in their departments are fully informed of the group's affairs. The share option schemes are designed to give senior management within the company both at home and abroad a stake in its future growth and success.

Political and charitable donations

No political or charitable donations were made during the year (1989 - £ nil).

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Purchase of own shares

During the year 4,501,853 of the company's ordinary shares with a nominal value of £225,093 were purchased from the vendors of Indescomp S.A. for an aggregate consideration of £1, and cancelled with the approval of the members given at an extraordinary general meeting of the company on 11th December, 1989.

Resolutions to be proposed as Special Business at the annual general meeting

At the annual general meeting on 22nd November, 1990 the following Special Business will be proposed:

- (1) An ordinary resolution to authorise the directors to allot shares up to an aggregate nominal amount of £7,785,239 for a period of 5 years from 22nd November, 1990.
- (2) A special resolution to give the directors authority until next year's annual general meeting to allot shares for cash both by way of rights issues and, in respect of ordinary shares up to an aggregate nominal value of £1,400,000 to people other than existing shareholders.
- (3) A special resolution to authorise the company to buy on the open market up to 56,421,521 ordinary shares, and to cancel them.
- (4) A special resolution to amend the memorandum of association to enable the company to purchase any insurance for the directors or others.
- (5) A special resolution to amend the articles of association to comply with recent changes in legislation.

Further explanation of the Special Business is contained in the explanatory notes accompanying the notice of meeting.

Auditors

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

9th October, 1990
Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

By order of the board
J. L. Rice
Secretary

Auditors' Report

Amstrad plc



Touche Ross & Co
Hell House
1 Little New Street
London EC4A 3TR

 **Touche Ross**
Chartered Accountants

To the members of Amstrad plc

We have audited the financial statements on pages 10 to 21 in accordance with 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, 1990, and of the profit and source and application of funds of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

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

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

Chartered Accountants

9th October, 1990



**Consolidated
Profit and Loss Account** for the year ended 30th June, 1990
Amstrad plc

	Note	1990		1989	
		£000	£000	£000	£000
Turnover	1		577,324		629,424
Change in stocks of finished goods and work in progress			(107,454)		174,766
			469,870		804,189
Other operating income			2,238		1,724
			472,108		805,913
Raw materials and consumables		(327,424)		(599,791)	
Other external charges		(44,814)		(67,922)	
Staff costs	2	(25,077)		(24,338)	
Depreciation and other amounts written off intangible and tangible fixed assets		(4,950)		(4,824)	
Other operating charges		(17,538)		(26,198)	
			(419,803)		(723,073)
Operating profit			52,305		78,540
Other interest receivable and similar income			2,714		9,542
Interest payable and similar charges	3		(11,274)		(11,175)
Profit on ordinary activities before taxation	4		43,745		76,907
Tax on profit on ordinary activities	5		(9,399)		(25,517)
Profit on ordinary activities after taxation			34,346		51,390
Extraordinary items	6		(24,167)		-
Profit for the financial year attributable to shareholders of Amstrad plc	19		10,179		51,390
Dividends paid and proposed	7		(7,855)		(7,957)
Profit retained for the year	20		2,324		43,433
Earnings per share					
Based on profit on ordinary activities after taxation	8		6.07p		9.01p

The notes on pages 14 to 21 form part of these financial statements



Consolidated Balance Sheet at 30th June, 1990

Amstrad plc

	Note	1990		1989	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		104		392
Tangible assets	10		41,940		44,426
Investments	11		27,126		41,574
			<u>69,170</u>		<u>89,392</u>
Current assets					
Stocks	12	188,415		325,155	
Debtors	13	110,692		132,302	
Cash at bank and in hand		30,475		44,681	
		<u>329,582</u>		<u>502,138</u>	
Creditors: amounts falling due within one year	15	<u>(81,152)</u>		<u>(276,702)</u>	
Net current assets			<u>248,430</u>		<u>225,436</u>
Total assets less current liabilities			<u>317,600</u>		<u>314,730</u>
Creditors: amounts falling due after more than one year	16		<u>(6,500)</u>		<u>(3,920)</u>
Net assets			<u><u>311,100</u></u>		<u><u>310,810</u></u>
Capital and reserves					
Called up share capital	17		28,211		28,419
Share premium account	18		13,950		13,806
Revaluation reserve	20		8,002		9,848
Other reserves	20		1,429		1,204
Profit and loss account	20		259,508		257,534
Shareholders' funds			<u><u>311,100</u></u>		<u><u>310,810</u></u>

These financial statements were approved by the board of directors on 9th October, 1990.

A. M. Sugar

K. Ashcroft

Directors

The notes on pages 14 to 21 form part of these financial statements



Balance Sheet at 30th June, 1990

Amstrad plc

	Note	1990 £000	1989 £000
Fixed assets			
Intangible assets	9		282
Tangible assets	10	24,779	22,856
Investments	11	48,025	70,609
		<u>72,908</u>	<u>93,747</u>
Current assets			
Stocks	12	130,381	179,006
Debtors	13	191,183	171,231
Cash at bank and in hand		20,427	19,959
		<u>341,991</u>	<u>370,196</u>
Creditors: amounts falling due within one year	15	<u>(148,368)</u>	<u>(210,809)</u>
Net current assets		<u>193,623</u>	<u>159,387</u>
Net assets		<u>266,531</u>	<u>253,134</u>
Capital and reserves			
Called up share capital	17	28,211	28,219
Share premium account	18	13,950	13,806
Revaluation reserve	20	8,002	8,112
Other reserves	20	225	—
Profit and loss account	20	216,143	202,797
		<u>266,531</u>	<u>253,134</u>
Shareholders' funds		<u>266,531</u>	<u>253,134</u>

These financial statements were approved by the board of directors on 9th October, 1990.

A. M. Sugar

Directors

K. Ashcroft

The notes on pages 14 to 21 form part of these financial statements.



Consolidated Statement of Source and Application of Funds

for the year ended 30th June, 1990

ANSTRAD plc

	1990 £000	1989 £000
Source of funds		
Profit on ordinary activities before taxation	43,744	71,197
Adjustments for items not involving the movement of funds:		
Depreciation of intangible and tangible fixed assets	4,950	4,821
Loss on disposal of intangible and tangible fixed assets	3	322
(Release of provision)/Provision against investment in associated company	(980)	1,125
Exchange differences	(2,038)	41
Extraordinary items:		
Closure of manufacturing and trading operations and termination of an overseas distributorship	(12,997)	
Profit on the disposal of surplus properties in excess of the revaluation reserve	717	
Total generated from operations	<u>33,399</u>	<u>82,086</u>
Funds from other sources		
Ordinary shares allotted under employee share option schemes	161	1,801
Proceeds on disposal of tangible fixed assets	10,710	300
Proceeds on sale of associated company	980	
Total source of funds	<u>45,250</u>	<u>85,087</u>
Application of funds		
Purchase of intangible and tangible fixed assets	(11,917)	(15,170)
Purchase of fixed asset investment	—	(11,570)
Purchase of goodwill on acquisition of subsidiary	(19)	(552)
Tax paid	(30,554)	(58,807)
Dividends paid	(7,896)	(7,951)
Total application of funds (excluding working capital)	<u>(50,386)</u>	<u>(123,418)</u>
	<u>(5,136)</u>	<u>(12,385)</u>
Movement in working capital		
Decrease/(Increase) in stocks	136,740	(23,134)
Decrease in debtors and bills receivable	17,904	29,204
(Decrease)/Increase in creditors and bills payable	(104,013)	88,298
Total movement in working capital	<u>50,631</u>	<u>(95,632)</u>
Movement of net liquid funds	<u>45,495</u>	<u>(137,941)</u>
(Net liquid funds represent cash at bank less bank loans and overdrafts.)		



Statement of Accounting Policies

Amstrad plc

(a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain freehold properties.

(b) Consolidation

The group financial statements consolidate those of the company and all subsidiaries for the financial year ended 30th June, 1990.

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, on a straight line basis from the time they are brought into use so as to write off their historical cost and revaluation over their estimated useful lives as follows:

Freehold buildings	2%
Plant, fixtures and fittings	10% - 50%

Leasehold land and buildings are amortised over 50 years, or the period of the lease, whichever is the shorter. 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 arisen at 30th June, 1990 have been 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 retained profits.

(e) Stock and work in progress

Stock and work in progress are stated 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 are stated at cost, less amounts provided for.

(h) Intangible fixed assets

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

(i) Leased Assets

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excesses of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of the obligation.



Notes to the Financial Statements

Armstrad plc

1	Turnover	1990	1989
		£000	£000
	The amount of turnover attributable to geographical areas was as follows:		
	United Kingdom	251,258	254,489
	France	104,244	111,098
	Spain	59,457	81,942
	Italy	45,678	40,912
	Germany	42,717	28,668
	Australasia	27,800	29,125
	Benelux	22,152	31,389
	North & South America	13,840	37,926
	Other European Countries	7,024	24,433
	Asia & Africa	3,154	1,911
		577,324	626,423

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

2	Staff costs	1990	1989
		£000	£000
	Directors' emoluments	1,068	1,082

The emoluments of the chairman and highest paid UK director were:

186	166
-----	-----

The other UK directors' emoluments were distributed as follows:

Ranges of emoluments

	No.	No.
£ 0 - £ 5,000	1	1
£ 10,001 - £ 15,000	—	1
£ 25,001 - £ 30,000	—	1
£ 30,001 - £ 35,000	1	—
£ 70,001 - £ 75,000	—	1
£ 80,001 - £ 85,000	—	1
£ 85,001 - £ 90,000	1	—
£ 95,001 - £100,000	—	1
£100,001 - £105,000	1	—
£125,001 - £130,000	1	—
£130,001 - £135,000	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 - £35,000	6	4
£35,001 - £40,000	5	3
£40,001 - £45,000	2	3
£45,001 - £50,000	6	1
£50,001 - £55,000	2	—
£70,001 - £75,000	1	—

Wages and salaries including directors' emoluments
Social security costs

£000	£000
21,745	20,287
3,332	4,052
25,077	24,339

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

	No.	No.
Production	257	610
Sales, distribution and administration	1,071	1,047
	1,328	1,657



NOTES TO THE FINANCIAL STATEMENTS

Amstrad plc

4	Interest payable and similar charges	1990 £000	1989 £000
	Interest payable on borrowings wholly repayable within 5 years	10,182	11,475
	Finance lease charges	92	—
		<u>11,274</u>	<u>11,475</u>
4	Profit on ordinary activities before taxation is after charging:	1990 £000	1989 £000
	Depreciation of tangible and intangible fixed assets	4,950	4,824
	Auditors' remuneration	281	253
	Hire of plant and machinery	187	105
		<u>5,418</u>	<u>5,182</u>
5	Tax on profit on ordinary activities	1990 £000	1989 £000
	United Kingdom corporation tax at 35% (1989 - 35%) based on the profit for the year	3,113	27,947
	Double tax relief	(39)	(485)
	Deferred tax	4,957	(5,884)
	Overseas tax	1,710	4,777
	Prior year adjustment	(342)	(838)
		<u>9,399</u>	<u>25,517</u>
6	Extraordinary items	1990 £000	1989 £000
	Provision in respect of the diminution in value of a fixed asset investment	(17,448)	—
	Closure of manufacturing and trading operations and termination of an overseas distributorship	(12,997)	—
	Profit on the disposal of surplus properties	3,253	—
		<u>(27,192)</u>	<u>—</u>
	Taxation		
	Current tax	1,620	—
	Deferred tax	1,405	—
		<u>(24,167)</u>	<u>—</u>
7	Dividends		
	The directors propose a final dividend of 1.00p (1989 - 1.00p) per ordinary share, which together with the interim dividend of 0.40p (1989 - 0.40p) per ordinary share paid on 12th April, 1990 makes a total distribution of 1.40p (1989 - 1.40p) per ordinary share in respect of the year ended 30th June, 1990. This is equivalent to 18.7p (1989 - 18.7p) per ordinary share with the related tax credit at the current rate of 25/75ths (1989 - 25/75ths)		
8	Earnings per share		
	Earnings per share is calculated by dividing the profit on ordinary activities after taxation for the year ended 30th June, 1990, amounting to £34.3 million (1989 - £51.1 million) by 565.9 million ordinary shares, the average number in issue during the financial year (1989 - 567.3 million). A fully diluted earnings per ordinary share figure based on share options outstanding is not provided as the effect on the earnings per share is not material.		
9	Intangible fixed assets	Consolidated	Company
	Development costs:	£000	£000
	Cost at 1st July, 1989	1,252	1,131
	Exchange differences	10	—
	Additions	170	170
	Amount fully written down/disposed	(1,262)	(1,131)
	At 30th June, 1990	<u>170</u>	<u>170</u>
	Amortisation at 1st July, 1989	870	849
	Charged in year	350	345
	Amounts fully written down/disposed	(1,154)	(1,132)
	At 30th June, 1990	<u>66</u>	<u>66</u>
	Net book value		
	At 30th June, 1990	<u>104</u>	<u>104</u>
	Net book value		
	At 30th June, 1989	<u>482</u>	<u>282</u>

10. Tangible fixed assets	Freehold land and buildings £000	Short leasehold land and buildings £000	Plant, fixtures and fittings £000	Total £000
CONSOLIDATED				
Cost or revaluation at 1st July, 1989	31,799	4,401	15,998	52,198
Exchange differences	958	--	42	1,000
Additions	5,426	--	6,321	11,747
Disposals	(7,855)	(1,076)	(6,418)	(15,349)
Cost or revaluation at 30th June, 1990	<u>30,328</u>	<u>3,325</u>	<u>15,853</u>	<u>49,506</u>
Depreciation at 1st July, 1989	731	78	6,871	7,680
Exchange differences	6	--	24	30
Charged in year	703	75	3,822	4,600
On disposals	(158)	(65)	(4,521)	(4,744)
Depreciation at 30th June, 1990	<u>1,282</u>	<u>88</u>	<u>6,196</u>	<u>7,566</u>
Net book value At 30th June, 1990	<u>29,046</u>	<u>3,237</u>	<u>9,657</u>	<u>41,940</u>
Net book value At 30th June, 1989	<u>31,068</u>	<u>4,324</u>	<u>9,127</u>	<u>44,519</u>
COMPANY				
Cost or revaluation at 1st July, 1989	16,127	3,325	7,962	27,414
Additions	972	--	3,675	4,647
Disposals	--	--	(3,343)	(3,343)
Cost or revaluation at 30th June, 1990	<u>17,099</u>	<u>3,325</u>	<u>8,294</u>	<u>28,718</u>
Depreciation at 1st July, 1989	529	22	4,007	4,558
Charged in year	251	66	2,398	2,715
On disposals	--	--	(3,334)	(3,334)
Depreciation at 30th June, 1990	<u>780</u>	<u>88</u>	<u>3,071</u>	<u>3,939</u>
Net book value At 30th June, 1990	<u>16,319</u>	<u>3,237</u>	<u>5,223</u>	<u>24,779</u>
Net book value At 30th June, 1989	<u>15,598</u>	<u>3,303</u>	<u>3,955</u>	<u>22,856</u>

Freehold land and buildings include properties valued at open market value at 30th June, 1989, of £17.1 million. If these properties had not been revalued, they would have been included at a cost of £9.0 million and a net book value of £8.3 million.

The consolidated net book value of freehold land and buildings includes £6.9 million (1989 -- £4.1 million) in respect of assets held under finance leases.



Notes to the Financial Statements (continued)

Amstrad plc

COMPANY	Shares in	Other	Total
	subsidiaries	fixed asset	
	£000	investment	£000
Cost at 1st July, 1989	26,035	44,574	70,609
Additions	67		67
Provided for in year	(5,203)	(17,448)	(22,651)
At 30th June, 1990	<u>20,899</u>	<u>27,126</u>	<u>48,025</u>

The other fixed asset investment is listed on a recognised investment exchange. The mid market value of this investment at 30th June, 1990 was £27.1 million, and at 12th September, 1990 was £17.2 million. It is the only fixed asset investment of the group.

The following information relates to the group's principal subsidiary companies:

Name of subsidiary	Percentage of allotted capital owned	Country of incorporation
Amstrad International S.A	100%	France
Amstrad Distribution Limited	100%	England
Amstrad Inc.	100%	USA
Amstrad Espana S.A.	100%	Spain
Amstrad SpA	100%	Italy
Amstrad B.V.	100%	Holland
Amstrad Pty Limited	100%	Australia
Amstrad (Belgium) S.A.	100%	Belgium
Amstrad GmbH	100%	Germany
Amstrad Sales Ireland Limited	100%	Republic of Ireland
Amstrad New Zealand Limited	100%	New Zealand
Amstrad Fidelity GmbH	51%*	Germany

*Interest held by subsidiary company

12 Stocks	Consolidated		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Raw materials and consumables	26,162	47,099	26,162	35,124
Work in progress	—	1,227	—	1,419
Finished goods and goods for resale	162,253	276,829	164,219	142,863
	<u>188,415</u>	<u>325,155</u>	<u>130,381</u>	<u>179,406</u>

13 Debtors	Consolidated		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Trade debtors and bills of exchange receivable	88,628	100,432	22,550	29,774
Amounts owed by group companies	—	—	160,029	158,135
Other debtors	17,257	22,740	5,254	1,730
Prepayments	682	1,299	80	33
Deferred taxation (note 14)	3,656	6,422	3,270	1,559
Overseas taxation	469	1,439	—	—
	<u>110,692</u>	<u>132,302</u>	<u>191,183</u>	<u>171,231</u>



	Consolidated		Company	
	£000		£000	
14 Deferred taxation				
Asset at 1st July, 1989	6,422		1,559	
Transfer to profit and loss account	(3,552)		1,725	
Transfer to revaluation reserve	800			
Movement on advanced corporation tax recoverable	(14)		(14)	
Asset at 30th June, 1990 (note 13)	<u>3,656</u>		<u>3,270</u>	

The deferred tax asset represents:	Consolidated		Company	
	1990	1989	1990	1989
	£000		£000	
Capital allowances in excess of depreciation	(863)	(814)	(829)	(788)
Tax on gain on revaluation of freehold properties	—	(800)	—	—
Advance corporation tax recoverable	1,881	1,895	1,881	1,895
Short term timing differences	2,638	6,141	2,218	644
	<u>3,656</u>	<u>6,422</u>	<u>3,270</u>	<u>1,559</u>

There is a potential liability to deferred tax on the revaluation of freehold properties in the UK of £2.2 million (1989 - £2.2 million).

15 Creditors	Consolidated		Company	
	1990	1989	1990	1989
	£000		£000	
Amounts falling due within one year				
Bank loans and overdrafts	6,821	60,522	2,453	60,175
Trade creditors	41,063	37,475	36,924	34,098
Bills of exchange payable	107	81,855	—	52,093
Amounts owed to group companies	—	—	92,325	29,507
Amounts owed to associated company	—	2,120	—	2,120
UK corporation tax	2,581	30,940	2,152	28,508
Other taxation and social security costs	1,772	3,562	235	0
Overseas taxation	4,893	6,739	—	—
Other creditors	12,395	15,129	8,347	3,095
Accruals and deferred income	5,877	27,636	289	15,780
Dividend proposed	5,643	5,084	5,643	5,084
	<u>81,152</u>	<u>276,792</u>	<u>148,368</u>	<u>219,809</u>

16 Creditors	Consolidated		Company	
	1990	1989	1990	1989
	£000		£000	
Amounts falling due after more than one year				
Obligations under finance leases				
After one year and before two years	692	122	—	—
After two years and before five years	1,668	899	—	—
After five years	4,140	2,808	—	—
	<u>6,500</u>	<u>3,829</u>	<u>—</u>	<u>—</u>



Notes to the Financial Statements (continued)

Amstrad plc

17 Called up share capital	30th June, 1990		30th June, 1989	
	Ordinary shares of 5p each	£000	Ordinary shares of 5p each	£000
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:				
At 1st July, 1989	568,382,069	28,419	556,243,069	27,812
Shares cancelled	(4,501,853)	(225)		
Issued under share option schemes	335,000	17	12,139,000	607
At 30th June, 1990	564,215,216	28,211	568,382,069	28,419

During the year 4,501,853 of the company's ordinary shares were purchased from the vendors of Indescomp S.A. for an aggregate consideration of £1, and cancelled with the approval of the members given at an extraordinary general meeting of the company on 11th December, 1989

18 Share premium account	£000
At 1st July, 1989	13,806
Arising on issue of shares under share option scheme	144
At 30th June, 1990	13,950

19 Profit for the financial year

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 financial statements. The consolidated profit for the financial year includes £21.1 million (1989 £36.4 million) which is dealt with in the financial statements of the parent company.

20 Reserves	Consolidated			Company		
	Revaluation reserve	Other reserves	Profit and loss account	Revaluation reserve	Other reserves	Profit and loss account
	£000	£000	£000	£000	£000	£000
At 1st July, 1989	9,848	1,204	257,533	8,112	—	202,797
Profit retained for the year	—	—	2,324	—	—	13,236
Capital redemption reserve	—	225	—	—	225	—
Goodwill written off	—	—	(19)	—	—	—
Foreign exchange translation differences	—	—	(440)	—	—	—
Disposal of revalued asset	(2,336)	—	—	—	—	—
Transfer from deferred tax	800	—	—	—	—	—
Transfer of amount equivalent to additional depreciation on revalued assets	(110)	—	110	(110)	—	110
At 30th June, 1990	8,002	1,429	259,508	8,002	225	216,143

21 Future capital expenditure of the group

Contracted for but not provided in the financial statements

1990
£000

—

4,002

Authorised but not contracted for

—

—



22 Share option schemes

There are share option schemes for the directors and senior employees. The options outstanding under the schemes were as follows

Date of grant	Price per fully paid share	Normal dates of exercise	No. of ordinary shares
22nd February, 1986	64.8p	1989 - 1996	105,115
31st October, 1986	120.0p	1989 - 1996	891,175
27th February, 1987	157.0p	1990 - 1997	44,852
7th March, 1988	135.0p	1991 - 1998	1,751,498
20th November, 1988	48.0p	1992 - 1996	16,486,309

23 Contingent liabilities

Amstrad plc has guaranteed the overdraft facilities of subsidiary companies to the extent of £19.6 million (1989 - £57.3 million).

Amstrad plc has, as part of the acquisition consideration of Video Electronics Inc., underwritten the value of the consideration shares at 20th August, 1992 to be not less than US\$8,000,000. Any shortfall is to be extinguished by the issue of further Amstrad plc shares. At the current exchange rate and share price a £3.0 million potential liability arises.

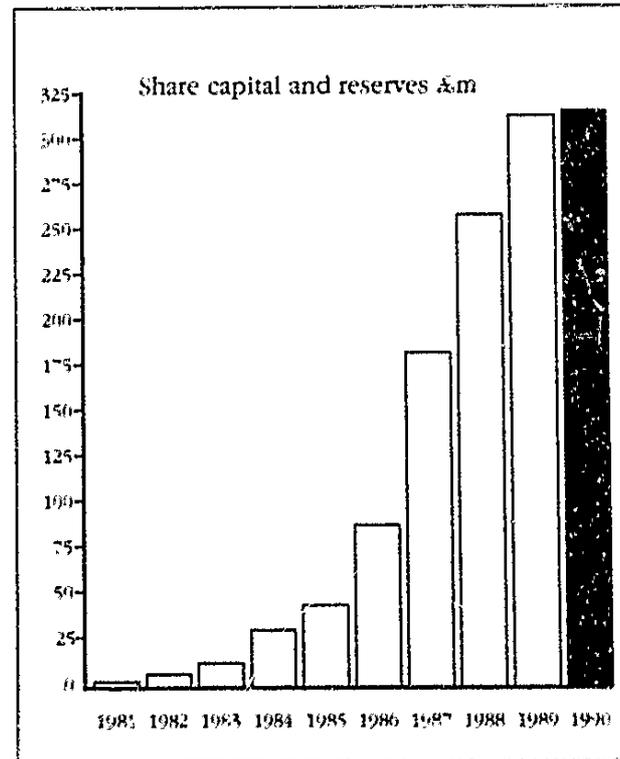
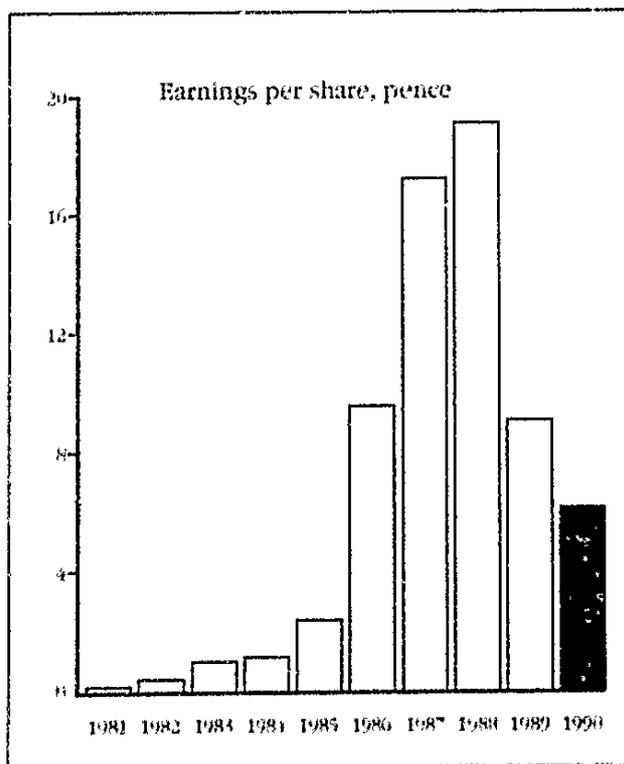
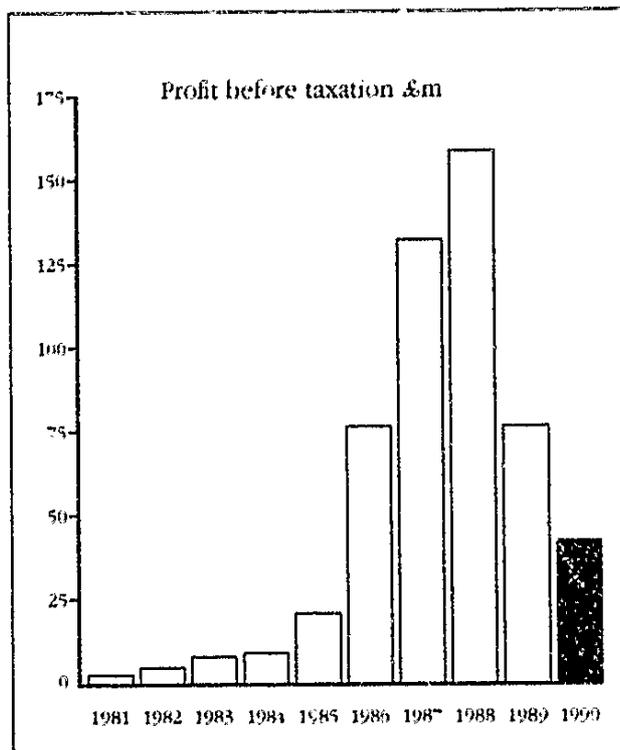
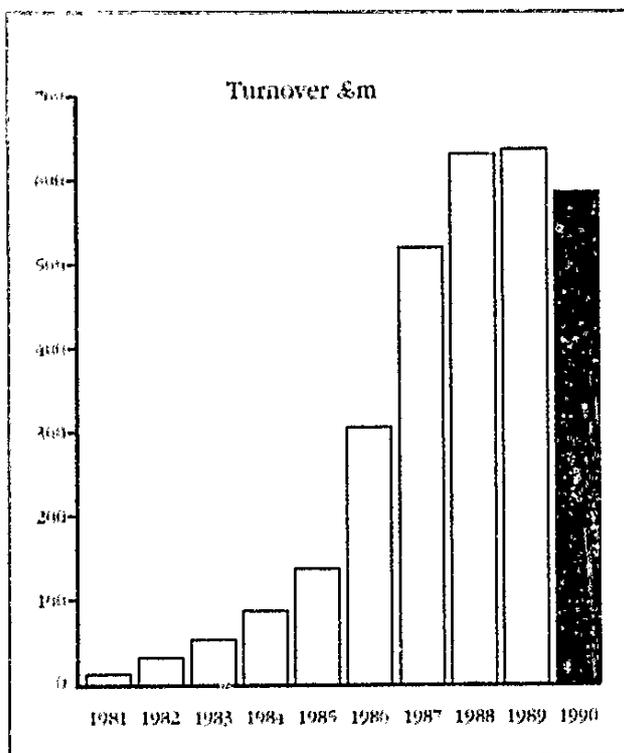


Ten Year Financial Record

	Note	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Turnover (excluding VAT) (£m)		14.1	28.1	51.8	84.9	136.1	304.1	511.8	625.4	626.3	577.3
Profit before taxation (£m)	1	2.4	4.8	8.0	9.1	20.2	75.3	135.7	160.4	76.6	43.7
Profit after taxation (£m)	1	1.2	2.6	5.3	5.7	14.0	52.0	93.4	105.1	51.1	34.3
Dividends pence/share (incl. tax credit)	2	0.11	0.14	0.16	0.19	0.27	0.49	0.97	1.87	1.87	1.87
Dividend cover (times)	3	3	6	10	8	14	27	24	14	6	4
Profit retained for the year (£m)		1.1	2.4	5.1	5.0	12.9	47.2	89.6	93.0	43.1	2.3
Earnings pence/share after tax	2	0.26	0.54	1.12	1.17	2.57	9.54	17.13	18.99	9.01	6.07
Share capital and reserves (£k.)		4.8	7.2	12.3	29.2	42.2	88.1	179.5	256.2	310.8	311.1
Key Ratios											
Turnover over prior year		61.2%	98.6%	84.6%	61.0%	60.2%	123.5%	68.3%	22.2%	0.1%	(7.8%)
Profit before tax over prior year		74.6%	100.8%	68.6%	13.3%	121.1%	273.5%	80.3%	18.2%	(52.2%)	(43.0%)
Profit before tax as a percentage of sales		16.8%	17.0%	15.5%	10.7%	14.8%	24.8%	26.5%	25.6%	12.2%	7.6%

Notes:

- 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 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.
- 3 Calculated before waiver of dividends for years 1981 to 1983 by A. M. Sugar.





Shareholder Information

Anstrad plc

The distribution of ordinary shares as at 7th September, 1990 was:

Size of shareholding	Number of shareholders	%	Shares held	%
1 - 500	6,996	23.1	2,427,794	0.4
501 - 1,000	8,017	26.5	7,138,991	1.3
1,001 - 5,000	11,743	38.8	29,692,843	5.3
5,001 - 10,000	1,930	6.4	15,381,657	2.7
10,001 - 25,000	861	2.8	14,271,765	2.5
25,001 - 50,000	273	0.9	10,112,648	1.8
50,001 - 100,000	160	0.5	11,956,463	2.1
100,001 - 250,000	146	0.5	23,427,237	4.2
over 250,000	159	0.5	449,885,818	79.7
Total	30,285	100.0	564,295,216	100.0

The classification of ordinary shares as at 7th September, 1990 was:

	Number of shareholders	%	Shares held	%
Banks & Nominees	1,663	5.5	187,037,009	33.1
Insurance	40	0.1	22,913,376	4.1
Pension Funds	18	0.1	1,725,161	0.3
Other Corporate Bodies	1,037	3.4	28,593,798	5.1
Individuals	27,527	90.9	324,025,812	57.4
Total	30,285	100.0	564,295,216	100.0