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Amstrad plc

Annual Report
1990/91

COMPANY NUMBER 942631

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942631



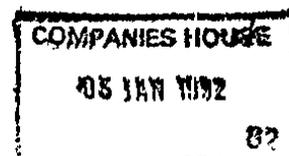
Results at a Glance for the year ended 30th June, 1991

Amstrad plc

Turnover by product	1991		1990	
	£m	% of turnover	£m	% of turnover
Professional computers	230.2	43.6	268.8	46.6
Satellite receivers and dishes	147.0	27.8	107.3	18.6
Video	65.2	12.3	67.9	11.8
Home computers	55.3	10.5	78.6	13.6
Printers/Fax	29.2	5.5	29.6	5.1
Audio	1.5	0.3	25.1	4.3
Total	528.4	100.0	577.3	100.0
Profit on ordinary activities before taxation	20.2		43.7	
Profit on ordinary activities after taxation	14.5		34.3	
Net liquid funds	59.6		23.7	
Stocks	175.9		188.4	
Dividends per share	1.4p		1.4p	
Earnings per share	2.5p		6.1p	
Dividend cover (times)	1.8		4.3	
Net assets per share	55.9p		55.2p	

Dividend payment

The final dividend will be posted on 19th November, 1991 to ordinary shareholders who are registered on the books of the company at the close of business on 1st November, 1991.





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

Advisers

Registered Auditor

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

Stockbrokers

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

Merchant Bankers

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

Registrars

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

Clearing Bankers

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

Solicitors

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

Group Operating Companies

United Kingdom

Amstrad plc

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

Australia

Amstrad Pty Limited

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

France

Amstrad International S.A.

32 Avenue De L'Océanie,
Z.A. De Courtaboeuf,
91040 Les Ulis,
France

Germany

Amstrad GmbH

Dreieichstrasse 8,
6082 Morfelden Walldorf,
Germany

Amstrad Fidelity GmbH

Kastanienallee 8-10,
6143 Lorsch,
Germany

Greece

Amstrad Hellas S.A.

Polytechniou 12,
Athens 10433,
Greece

Holland

Amstrad B.V.

Reactorweg 279,
3542 AD Utrecht,
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

Spain

Amstrad Espana S.A.

Ronda De Valdecarrizo S/N,
Sector 10, Parcela 2,
Tres Cantos,
28760 Colemanar Viejo (Madrid),
Spain



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 21st ANNUAL GENERAL MEETING of Amstrad plc will be held at the Tower Suite, The Tower House Hotel, St Katharine's Way, London E1 9LD, on 18th November, 1991 at 3.00 p.m. for the following purposes:

1. To receive and adopt the financial statements for the year ended 30th June, 1991 and the directors' and auditor's reports thereon
2. To declare a dividend.
3. To re elect directors.
4. To reappoint the auditor and authorise the directors to fix their remuneration.
5. **To transact the following special business:**

To consider, and if thought fit, pass the following resolutions:

(A) As a special resolution:
That the directors be and they are hereby authorised pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities, within the meaning of Section 94 of the Act, for cash, pursuant to the authority given to the directors by resolution 5A passed at the Annual General Meeting of the Company on 22nd November, 1990 as if the provisions of Section 89(1) of the Act did not apply to the allotment, provided that this authority shall be limited to:

 - a) the allotment of equity securities in connection with any rights issue in favour of holders of ordinary shares in the capital of the company notwithstanding that by reason of such exclusions as the directors may deem necessary to deal with problems arising in any overseas territory in connection with fractional entitlements or otherwise howsoever, the ordinary shares to be allotted are not offered to all such holders in proportion to the number of ordinary shares held by them respectively; and
 - b) the allotment of equity securities up to an aggregate nominal value of £1,400,000 otherwise than pursuant to the paragraph (a) above

provided that the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

(B) As a special resolution:
That the company be hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 5p each (nominal value) in the capital of the company ("ordinary shares") provided that:

 - a) the maximum number of ordinary shares hereby authorised to be purchased is 56,622,021;
 - b) the minimum price which may be paid for each ordinary share is 5p (nominal value);
 - c) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the ordinary shares are purchased;
 - d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company or 31st December, 1992, whichever is earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which is executed wholly or partly after such date), unless such authority is renewed prior to such time.
6. To transact any other ordinary business of the company

2nd October, 1991

Brentwood House,
169 Kings Road,
Brentwood,
Essex CM11 4RF

By order of the board
J. L. Rice
Secretary

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. 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. P. Y. Thoms have service contracts with the company. These contracts are available for inspection at the registered office of the company during office hours, and at the annual general meeting for at least 15 minutes prior to and during the meeting.



Chairman's Statement

Sales for this financial year were £528.4 million, with pre-tax profits before exceptional items of £40.6 million.

Earlier this year we announced the need to make an exceptional write down against inventory, largely relating to the model 2386 personal computer, the final amount being £20.4 million, this resulting in a profit on ordinary activities before tax of £20.2 million.

The directors have decided to maintain the level of dividend and 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. The final dividend is payable on 19th November, 1991 to shareholders on the register on 1st November, 1991.

The half year result was quite good considering the economic climate at the time. But as I mentioned in the half year statement, we had already started to see signs of the recession biting. Regretfully, those signs were borne out fully in the second half of the financial year. Our performance in Germany was well below our forecast, mainly due to a slump in demand for satellite related products and personal computers. Shortly after the re-unification with East Germany a great demand for consumer electronic merchandise was created. This has turned out to be short lived and somewhat over hyped.

Trading conditions in the UK were very poor in the second half with the exception of satellite products where sales responded well to a special promotion during the last quarter of the financial year. France also suffered badly during the second half, where sales of personal computers and entertainment computers were at a very low level compared to their past performance. *The whole European market is suffering a slump in sales of personal computers, a fact which has been well publicised and a phenomenon which is not only affecting Amstrad.* This, together with an over supply of merchandise in the market place of both computers and consumer electronic products, such as video cassette recorders and satellite equipment in Germany, has resulted in low sales throughout the group. It should, however, be noted that Amstrad maintained its market share in certain PC sectors and indeed, as has been reported, was the market leader in laptop and portable PCs in the UK market as well as leading in the 286 desk top computer market.

During the year we have undergone a rationalisation programme which has resulted in a 20% reduction in operating costs as well as the streamlining of our subsidiaries.

Also during the year we have formed a joint venture in Greece with our ex-distributor. The company, Amstrad Hellas, operates from Athens and distributes all Amstrad products throughout Greece. We have also entered into a distribution agreement for the total Scandinavian market with a distribution company that has been given permission to trade as Amstrad Nordic. Whilst we have undergone a rationalisation programme we have been conscious of strengthening our presence in markets in which we have not been active.

Exceptional Items

I am sure all shareholders are familiar with the events relating to the 2000 series of computers. Not wishing to go over old ground, I would remind them that this was a range of personal computers, some of which suffered from hard drive faults shortly after introduction. *The rectification of those faults in the case of one model (PC2386) took over eighteen months to complete, due to the slow response of the vendor responsible in rectifying the faults in the hard disk drive used in the PC2386 which they had supplied us.*



During this period of rectification market prices dropped and specifications changed. Whilst the PC2386 is now a most reliable machine, and in my view one of the best performing machines we have ever made, we have taken a realistic view of the realisable value in today's market, which, together with other less significant inventory write downs, has resulted in the £20.4 million exceptional item.

By 1988 we had taken the European market by storm in the personal computer business and were poised to move on to the next level of technology. The events of the 2000 series have cost us dearly in many ways. Whilst it comes as no consolation that the cause of the major technical problems, relating mainly to hard drive failure does not lie with Amstrad, it is indeed a fact. We have sought for the past two years to negotiate with those vendors responsible to no avail. Whilst they have rectified the defects in the drives they supplied us, they have continued to refuse to meet our out of pocket expenses and pay reasonable compensation. Reluctantly we have now issued legal proceedings against them. Litigation is not part of our business way, as indeed in many cases it is an expensive waste of time, simply making the lawyers richer. We are, however, in these cases well advised that our claims are valid and we do expect to be compensated substantially for our past losses and loss of reputation. We will pursue them most vigorously.

The Future

We are in a fashionable business where price and specification rapidly change, as can be seen by my previous explanation relating to our PC2386. We need to continue to develop and design new products all the time. Whilst the world recession continues to damage the personal computer and consumer electronics markets, we cannot simply walk away from them. We will have to ride the storm through these bad times so that we can prosper another day. To do so we must concentrate on two main elements. The first is to take a realistic view of our current inventory levels and understand that we have to market our current lines as efficiently as possible. To do so in this climate we have to recognise that we need to sell at competitive prices. We are faced with a situation of world dumping by our competitors in most product categories that we trade in, reducing our prices to remain competitive is not the only solution. We will continue with the usual Amstrad marketing thrust with a large advertising expenditure to make sure we keep our brand name and products in the forefront of the consumers mind and retain our market share. The second element is the continuous development of new products and it is in this area where we must find the morale and strength to do so with enthusiasm whilst riding out the current recession.

Apart from continuing development of items such as personal computers and video products, we are pleased to be in the forefront of technology in our satellite business and are now entering a new dawn of technology with our first combined D2MAC and PAL Receiver, clearly showing our leadership in this field. Demonstrating Amstrad's innovation, we have also developed a range of video cassette recorders with inbuilt satellite receivers. This concept allows potential consumers who do not have satellite receiving equipment to buy a video recorder, but at the same time use it as a satellite receiver. We have announced recently an exciting product in the VideoPhone, which we have jointly developed with Marconi. We have great expectations for this product, which, when marketed at a reasonable price, should capture the imagination of the mass consumer market. Whilst the product is highly technical internally, it should be noted that no extra installation procedure is required above that of a normal telephone and that the unit will provide moving colour pictures by using a standard telephone line.

At the recent Hanover Fair we announced our Colour Laptop Computer which incorporates a 10 inch TFT technology colour LCD display. Whilst this technology is in its infancy, it is certainly the direction that we see display technology moving. At the moment this high priced leading edge technology product allows the user to view a coloured screen from a total 180° angle. The obvious benefits of this screen technology as time goes by will be the much awaited introduction of the flat screen colour television.



Chairman's Statement (continued)

Conclusion

The near future does not show much sign of improvement. Whilst current trading is showing signs of recovery in satellite sales, both in Germany and the UK it should be understood that we lead the market in this sector on price and specification, whereas in other sectors such as personal computers and video machines the market is competitive and heavily over supplied. It has been my policy, and it will remain so, that we should continue to concern ourselves with maintaining a strong balance sheet. On a positive front we have a strong net cash balance at 30th June of £59.6 million. We must continue to turn our inventory into cash during these times to remain in a strong financial position. By selling products such as Personal Computers and Video Recorders at prices to match the competition, margins will be under attack. This together with the fact that we must continue to spend heavily advertising our brand, may well result in a difficult current financial year from a profit point of view unless there is a sudden positive change in our markets. It is an unsavoury thought but a most realistic statement of the position as I see it at this time, and may not be the news that shareholders would like to hear. Considering the state of the general market and the fact that many others have reported dramatic downturns or losses in our sector, our strategy is, as I see it, the most prudent way forward to live another day in a strong financial position.

I, together with the board of directors, would like to take this opportunity to thank all of our staff, subcontractors and suppliers on a worldwide basis for the support they have given us. I am sure I can rely upon their continued support during these difficult times.

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

2nd October, 1991



Directors' Report

Amstrad plc

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30th June, 1991.

Principal activities

The company is engaged in the design and distribution of consumer electronic and personal computing products.

Results

Turnover for the year was £528.4 million (1990 - £577.3 million). Profit on ordinary activities before taxation was £20.2 million (1990 - £43.7 million). After taxation and extraordinary items relating to the profit on sale of part of the shareholding in Micron Technology Inc., and the closure of three subsidiary companies, the profit transferred to reserves was £5.4 million (1990 - £2.3 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 17th April, 1991. 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 members of the board, who served throughout the year, are shown on page 2. Mr. J. L. Rice and Mr. K. Ashcroft retire by rotation and offer themselves for re-election. Mr. K. Ashcroft and Mr. J. L. Rice have service contracts which may be terminated by either party on six months' notice.

No 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, 1991	30th June, 1990	30th June, 1991	30th June, 1990
A. M. Sugar	205,568,750	248,318,750	-	-
J. L. Rice	862,150	879,150	700,000	700,000
M. M. Miller	714,000	721,000	700,000	700,000
R. J. Watkins	563,500	574,000	700,000	700,000
K. Ashcroft	870,000	900,000	700,000	700,000
M. E. Vannier	500,000	500,000	700,000	700,000
P. Y. Thomas	11,500	11,500	700,000	700,000

No changes in directors' interests as at 30th June, 1991 have occurred up to 11th September, 1991. Details of the share option schemes are set out in note 25 to the financial statements.

Substantial shareholdings

At 11th September, 1991 the company had been notified that Nutraco Nominees Limited had an interest in 17,945,883 ordinary shares representing 3.2% 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 10 and 11 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

A charitable donation of £7,500 was made during the year (1990 - £nil). No political donations were made during the year (1990 - £nil).

Close company status

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

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

At the annual general meeting on 18th November, 1991 the following Special Business will be proposed:

- 1) A Special Resolution to give the directors authority until the next annual general meeting to allot shares for cash both by way of a rights issue and up to an aggregate nominal value of £1,400,000, to people other than existing shareholders in respect of ordinary shares.
- 2) A Special Resolution to authorise the company to buy on the open market up to 56,622,021 ordinary shares, and to cancel them.

Auditor

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

2nd October, 1991
Brentwood House,
160 Kings Road,
Brentwood,
Essex CM14 4PF

Approved by the board of directors
and signed on behalf of the board

J. L. Rice
Secretary



Auditor's Report

Amstrad plc

Touche Ross & Co.,
Hill 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, 1991, 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.




2nd October, 1991

Chartered Accountants and Registered Auditor



Consolidated Profit and Loss Account for the year ended 30th June, 1991

Amstrad plc

	Note	1991		1990	
		£000	£000	£000	£000
Turnover	1		528,414		577,324
Change in stocks of finished goods			(1,663)		(107,454)
			<u>526,751</u>		<u>469,870</u>
Other operating income			958		2,238
			<u>527,709</u>		<u>472,108</u>
Raw materials and consumables		(373,339)		(327,424)	
Other external charges		(65,943)		(44,814)	
Staff costs	2	(24,578)		(25,077)	
Depreciation and amounts written off intangible and tangible fixed assets		(4,798)		(4,950)	
Other operating charges		(20,689)		(17,538)	
			<u>(489,347)</u>		<u>(419,803)</u>
Operating profit			38,362		52,305
Other interest receivable and similar income			4,395		2,714
Interest payable and similar charges	3		(2,195)		(11,274)
			<u>40,562</u>		<u>43,745</u>
Profit on ordinary activities before taxation and exceptional items			40,562		43,745
Exceptional items	4		(20,403)		-
			<u>20,159</u>		<u>43,745</u>
Profit on ordinary activities before taxation	5		20,159		43,745
Tax on profit on ordinary activities	6		(5,630)		(9,399)
			<u>14,529</u>		<u>34,346</u>
Profit on ordinary activities after taxation			14,529		34,346
Minority interests			(226)		-
			<u>14,303</u>		<u>34,346</u>
Profit for the financial year attributable to shareholders of Amstrad plc			14,303		34,346
Extraordinary items	7		(998)		(24,167)
			<u>13,305</u>		<u>10,179</u>
Profit for the financial year	20		13,305		10,179
Dividends paid and proposed	8		(7,928)		(7,855)
			<u>5,377</u>		<u>2,324</u>
Profit retained for the year	21		5,377		2,324
Earnings per share					
Based on profit on ordinary activities after taxation	9		<u>2.5p</u>		<u>6.1p</u>

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



Consolidated Balance Sheet at 30th June, 1991

Amstrad plc

	Note	1991 £000	1990 £000
Fixed assets			
Intangible assets	11	937	104
Tangible assets	10	40,963	41,940
Investments	12	10,411	27,126
		<u>52,311</u>	<u>69,170</u>
Current assets			
Stocks	13	175,928	188,415
Debtors	14	112,987	110,692
Cash at bank and in hand		69,805	30,475
		<u>358,720</u>	<u>329,582</u>
Creditors: amounts falling due within one year	16	<u>(87,921)</u>	<u>(81,085)</u>
Net current assets		<u>270,799</u>	<u>248,497</u>
Total assets less current liabilities		<u>323,110</u>	<u>317,667</u>
Creditors: amounts falling due after more than one year	17	<u>(6,138)</u>	<u>(6,500)</u>
		<u>316,972</u>	<u>311,167</u>
Capital and reserves			
Called up share capital	18	28,331	28,211
Share premium account	19	15,043	13,950
Revaluation reserve	21	7,892	8,002
Other reserves	21	1,429	1,429
Profit and loss account	21	263,791	259,508
		<u>316,486</u>	<u>311,100</u>
Shareholders' funds		<u>316,486</u>	<u>311,100</u>
Minority interests		486	67
		<u>316,972</u>	<u>311,167</u>

These financial statements were approved by the board of directors on 2nd October, 1991.

Signed on behalf of the board of directors

A. M. Sugar

K. Ashcroft

Directors

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



Balance Sheet at 30th June, 1991

Amstrad plc

	Note	1991		1990	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	11		937		104
Tangible assets	10		26,366		24,779
Investments	12		22,969		48,025
			<u>50,272</u>		<u>72,908</u>
Current assets					
Stocks	13	122,636		130,381	
Debtors	14	115,415		191,183	
Cash at bank and in hand		57,448		20,427	
		<u>295,499</u>		<u>341,991</u>	
Creditors: amounts falling due within one year	16		<u>(61,341)</u>		<u>(148,368)</u>
Net current assets			<u>234,158</u>		<u>193,623</u>
			<u>284,430</u>		<u>266,531</u>
Capital and reserves					
Called up share capital	18		28,331		28,211
Share premium account	19		15,043		13,950
Revaluation reserve	21		7,892		8,002
Other reserves	21		225		225
Profit and loss account	21		<u>23,939</u>		<u>216,143</u>
Shareholders' funds			<u>284,430</u>		<u>266,531</u>

These financial statements were approved by the board of directors on 2nd October, 1991.
Signed on behalf of the board of directors

A. M. Sugar
K. Ashcroft

Directors

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

Consolidated Statement of Source and Application of Funds

for the year ended 30th June, 1991

Amstrad plc



	1991 £000	1990 £000
Source of funds		
Profit on ordinary activities before taxation	20,159	43,745
Adjustment for items not involving the movement of funds:		
Depreciation of intangible and tangible fixed assets	5,632	4,950
Loss on disposal of intangible and tangible fixed assets	483	3
Release of provision against investment in associated company	-	(980)
Exchange differences	(480)	(2,039)
Extraordinary items:		
Closure of trading operations	(4,092)	(12,997)
Profit on disposal of surplus properties in excess of the revaluation reserve	-	717
Total generated from operations	<u>21,702</u>	<u>33,399</u>
Funds from other sources		
Issue of ordinary shares	1,213	161
Proceeds on disposal of tangible fixed assets	824	10,710
Proceeds on sale of associated company	-	980
Proceeds on sale of fixed asset investment	19,076	-
Minority interests acquired in year*	210	-
Total source of funds	<u>43,025</u>	<u>45,250</u>
Application of funds		
Purchase of intangible and tangible fixed assets*	(7,033)	(11,917)
Purchase of goodwill on acquisition of subsidiary*	(517)	(19)
Tax paid	(8,168)	(30,554)
Dividends paid	(7,905)	(7,896)
Total application of funds	<u>(23,623)</u>	<u>(50,386)</u>
	<u>19,402</u>	<u>(5,136)</u>
Movement in working capital		
Decrease in stocks*	12,487	136,740
(Increase)/Decrease in debtors and bills receivable*	(2,208)	17,004
Increase/(Decrease) in creditors and bills payable*	6,276	(104,013)
Total movement in working capital	<u>16,555</u>	<u>50,631</u>
Movement of net liquid funds*	<u>35,957</u>	<u>45,495</u>

(Net liquid funds represent cash at bank less bank loans and overdrafts.)

*Summary of the effects of the acquisitions during the year:

	£000		£000
Net assets acquired:		Cash paid	321
Fixed assets	53	Minority interests	210
Stock	313		
Debtors	1,319		
Creditors	(1,588)		
Bank overdraft	(83)		
Goodwill	517		
	<u>531</u>		<u>531</u>

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



Statement of Accounting Policies

Amstrad plc

The financial statements have been prepared in accordance with statements of accounting practice issued by UK accountancy bodies. The particular accounting policies adopted are described below.

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. 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% per annum
Plant, fixtures and fittings	10% – 50% per annum

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 the year end 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 at the year end rate are taken direct to retained profits.

e) Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is 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 associated with the company's 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

AMSTRAD plc

1. Turnover

In the opinion of the directors, Amstrad plc operates in one class of business activity. An analysis of the financial information relating to the geographical segments is as follows:

	United Kingdom		Continental Europe		Group	
	1991 £ million	1990 £ million	1991 £ million	1990 £ million	1991 £ million	1990 £ million
Turnover						
Total sales	442.7	409.6	290.6	326.2	733.3	735.8
Inter segment sales	(204.9)	(158.5)	-	-	(204.9)	(158.5)
Third party turnover	<u>237.8</u>	<u>251.1</u>	<u>290.6</u>	<u>326.2</u>	<u>528.4</u>	<u>577.3</u>
Net assets						
	<u>263.3</u>	<u>274.6</u>	<u>53.7</u>	<u>36.6</u>	<u>317.0</u>	<u>311.2</u>
Profit before taxation						
Segmental profit	<u>27.3</u>	<u>28.5</u>	<u>13.3</u>	<u>15.2</u>	40.6	43.7
Exceptional items					(20.4)	-
Profit before taxation					<u>20.2</u>	<u>43.7</u>

Turnover to third parties by destination is not materially different from turnover to third parties by origin. Third party turnover consists of sales invoiced to external customers during the year excluding value added tax and other sales taxes.

2. Staff costs

	1991 £000	1990 £000
Directors' emoluments	<u>974</u>	<u>1,068</u>
Emoluments of the chairman and highest paid director	<u>198</u>	<u>186</u>

The other UK directors' emoluments were distributed in the following ranges:

	No.	No.
£ 0 - £ 5,000	-	1
£ 30,001 - £ 35,000	-	1
£ 80,001 - £ 85,000	1	-
£ 85,001 - £ 90,000	-	1
£ 90,001 - £ 95,000	1	-
£100,001 - £105,000	-	1
£110,001 - £115,000	1	-
£120,001 - £125,000	1	-
£125,001 - £130,000	-	1
£130,001 - £135,000	1	1
Wages and salaries including directors' emoluments	<u>20,596</u>	<u>21,745</u>
Social security costs	<u>3,982</u>	<u>3,332</u>
	<u>24,578</u>	<u>25,077</u>

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

	No.	No.
	<u>1,017</u>	<u>1,328</u>



Notes to the Financial Statements (continued)

Amstrad plc

	1991	1990
	£000	£000
3. Interest payable and similar charges		
Interest payable on borrowings wholly repayable within five years	1,318	10,182
Finance lease charges	877	1,092
	2,195	11,274
4. Exceptional items		
Exceptional items are principally the write down of the PC2000 computer inventory and related products to net realisable value.		
5. Profit on ordinary activities before taxation is after charging:		
Depreciation of tangible and intangible fixed assets	4,798	4,950
Auditor's remuneration	282	281
Hire of plant and machinery	188	187
	5,268	6,418
6. Tax on profit on ordinary activities		
United Kingdom corporation tax at 33.75% (1990-35%) based on the profit for the year	1,843	3,113
Double tax relief	-	(39)
Deferred tax	2,882	4,957
Overseas tax	905	1,710
Prior year adjustment	-	(342)
	5,630	9,399
7. Extraordinary items		
Profit on sale of fixed asset investment	2,361	-
Provision in respect of the diminution in value of fixed asset investment	-	(17,448)
Closure of trading operations	(4,092)	(12,997)
Profit on the disposal of surplus properties	-	3,253
	(1,731)	(27,192)
Taxation		
Current tax	221	1,620
Deferred tax	512	1,405
	(998)	(24,167)

8. Dividends

The directors propose a final dividend of 1.00p (1990-1.00p) per ordinary share, which together with the interim dividend of 0.40p (1990-0.40p) per ordinary share paid on 17th April, 1991 makes a total distribution of 1.40p (1990-1.40p) per ordinary share in respect of the year ended 30th June, 1991. This is equivalent to 1.87p (1990-1.87p) per ordinary share with the related tax credit at the current rate of 25/75ths (1990-25/75ths).

9. Earnings per share

Earnings per share is calculated by dividing the profit on ordinary activities after taxation and minority interests for the year ended 30th June, 1991, amounting to £14.3 million (1990-£34.3 million) by 565.0 million ordinary shares, the average number in issue during the financial year (1990-565.9 million). A fully diluted earnings per ordinary share figure is not provided as the effect on the earnings per share is not material.

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, 1990	30,328	3,325	15,853	49,506
Exchange differences	(233)	-	(26)	(259)
Additions	728	2	5,100	5,830
Additions on acquisition	-	-	74	74
Disposals	(322)	-	(4,221)	(4,543)
Cost or revaluation at 30th June, 1991	<u>30,501</u>	<u>3,327</u>	<u>16,780</u>	<u>50,608</u>
Depreciation at 1st July, 1990	1,282	88	6,196	7,566
Exchange differences	(5)	-	(16)	(21)
Additions on acquisition	-	-	24	24
Charged in year	1,128	67	4,117	5,312
On disposals	(11)	-	(3,225)	(3,236)
Depreciation at 30th June, 1991	<u>2,394</u>	<u>155</u>	<u>7,096</u>	<u>9,645</u>
Net book value At 30th June, 1991	<u>28,107</u>	<u>3,172</u>	<u>9,684</u>	<u>40,963</u>
Net book value At 30th June, 1990	<u>29,046</u>	<u>3,237</u>	<u>9,657</u>	<u>41,940</u>
COMPANY				
Cost or revaluation at 1st July, 1990	17,099	3,325	8,294	28,718
Additions	159	2	3,356	3,517
Inter-company additions	1,452	-	840	2,292
Disposals	(43)	-	(2,684)	(2,727)
Cost or revaluation at 30th June, 1991	<u>18,667</u>	<u>3,327</u>	<u>9,806</u>	<u>31,800</u>
Depreciation at 1st July, 1990	780	88	3,071	3,939
Charged in year	588	67	2,704	3,359
Inter-company additions	192	-	371	563
On disposals	(11)	-	(2,416)	(2,427)
Depreciation at 30th June, 1991	<u>1,549</u>	<u>155</u>	<u>3,730</u>	<u>5,434</u>
Net book value At 30th June, 1991	<u>17,118</u>	<u>3,172</u>	<u>6,076</u>	<u>26,366</u>
Net book value At 30th June, 1990	<u>16,319</u>	<u>3,237</u>	<u>5,223</u>	<u>24,779</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 £9.1 million and a net book value of £8.3 million.

The consolidated net book value of freehold land and buildings includes £6.7 million (1990-£6.9 million) in respect of assets held under finance leases.



Notes to the Financial Statements (continued)

Amstrad plc

11. Intangible fixed assets

Development costs:	£000
Cost at 1st July, 1990	170
Additions	1,153
Amount fully written down	(118)
Cost at 30th June, 1991	<u>1,205</u>
Amortisation at 1st July, 1990	66
Charged in year	320
Amount fully written down	(118)
Amortisation at 30th June, 1991	<u>268</u>
Net book value	
At 30th June, 1991	<u>937</u>
Net book value	
At 30th June, 1990	<u>104</u>

12. Investments

COMPANY	Shares in group companies £000	Other fixed asset investment £000	Total £000
Cost at 1st July, 1990	26,102	44,574	70,676
Additions	11,131	-	11,131
Disposals	-	(27,466)	(27,466)
Cost at 30th June, 1991	<u>37,233</u>	<u>17,108</u>	<u>54,341</u>
Provisions at 1st July, 1990	5,203	17,448	22,651
Charged in year	19,472	-	19,472
On disposals	-	(10,751)	(10,751)
Provisions at 30th June, 1991	<u>24,675</u>	<u>6,697</u>	<u>31,372</u>
Net book value			
At 30th June, 1991	<u>12,558</u>	<u>10,411</u>	<u>22,969</u>
Net book value			
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, 1991 was £9.9 million, and at 11th September, 1991 was £11.1 million. It is the only fixed asset investment of the group.



12. Investments (continued)

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

Name of subsidiary	Percentage of allotted capital owned	Country of incorporation and operation
Amstrad International S.A.	100%	France
Amstrad Espana S.A.	100%	Spain
Amstrad SpA	100%	Italy
Amstrad BV	100%	Holland
Amstrad Pty Limited	100%	Australia
Amstrad GmbH	100%	Germany
Amstrad New Zealand Limited	100%	New Zealand
Amstrad Fidelity GmbH	61%*	Germany
Amstrad Hellas S.A.	51%	Greece

*Interest held by subsidiary company.

13. Stocks

	Consolidated		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
Raw materials and consumables	12,680	26,162	12,680	26,162
Finished goods and goods for resale	163,248	162,253	109,956	104,219
	<u>175,928</u>	<u>188,415</u>	<u>122,636</u>	<u>130,381</u>

14. Debtors

	Consolidated		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
Trade debtors and bills of exchange receivable	87,004	88,628	39,786	22,550
Amounts owed by group companies	-	-	70,686	160,029
Other debtors	20,621	17,257	2,073	5,254
Prepayments	1,150	682	300	80
Deferred taxation (see note 15)	1,295	3,656	1,203	3,270
Overseas taxation	90	469	-	-
UK corporation tax	2,827	-	1,367	-
	<u>112,987</u>	<u>110,692</u>	<u>115,415</u>	<u>191,183</u>

Deferred taxation balances are recoverable after more than one year.

15. Deferred taxation

	Consolidated £000	Company £000
Asset at 1st July, 1990	3,656	3,270
Exchange differences	2	-
Transfer to profit and loss account	(2,370)	(2,074)
Movement on advanced corporation tax recoverable	7	7
	<u>1,295</u>	<u>1,203</u>

Asset at 30th June, 1991 (see note 14)

	Consolidated		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
The deferred tax asset represents:				
Capital allowances in excess of depreciation	(827)	(803)	(827)	(820)
Advance corporation tax recoverable	1,888	1,881	1,888	1,881
Short term timing differences	234	2,636	142	2,218
	<u>1,295</u>	<u>3,656</u>	<u>1,203</u>	<u>3,270</u>

There is a potential liability to deferred tax on the revaluation of freehold properties in the UK of April (1990) of (£2.2 million).



Notes to the Financial Statements (continued)

Amstrad plc

16. Creditors: amounts falling due within one year

	Consolidated		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Banks loans and overdrafts	10,194	6,821	-	2,453
Trade creditors	49,380	41,063	42,661	36,924
Bills of exchange payable	106	107	-	-
Amounts owed to group companies	-	-	1,019	92,325
UK corporation tax	3,712	2,581	2,770	2,152
Other taxation and social security costs	1,238	1,772	236	235
Overseas taxation	564	4,893	-	-
Other creditors	11,119	12,328	8,140	8,347
Accruals and deferred income	5,942	5,877	849	289
Dividends proposed	5,666	5,643	5,666	5,643
	<u>87,921</u>	<u>81,085</u>	<u>61,341</u>	<u>148,568</u>

17. Creditors: amounts falling due after more than one year

	Consolidated		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Obligations under finance leases:				
After one year and before two years	416	692	-	-
After two years and before five years	1,683	1,668	-	-
After five years	4,039	4,140	-	-
	<u>6,138</u>	<u>6,500</u>	<u>-</u>	<u>-</u>

18. Called up share capital

	30th June, 1991		30th June, 1990	
	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:				
At 1st July, 1990	564,215,216	28,211	568,382,069	28,419
Shares cancelled	-	-	(4,501,853)	(225)
Shares issued	2,405,000	120	535,000	17
At 30th June, 1991	<u>566,620,216</u>	<u>28,331</u>	<u>564,415,216</u>	<u>28,211</u>

During the year 2,105,000 shares were issued under the company's share option schemes (see note 19), and 300,000 shares were issued in consideration of £198,000 compensation for loss of office due to Mr. Accenti the former managing director of Amstrad SpA.

19. Share premium account

	£000
At 1st July, 1990	13,950
Arising on issue of shares	1,093
At 30th June, 1991	<u>15,043</u>

20. Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £25.1 million (1990 - £21.1 million).



21. Reserves	Consolidated			Company		
	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1st July, 1990	8,002	1,429	259,508	8,002	225	216,143
Profit retained for the year	-	-	5,377	-	-	17,188
Goodwill written off	-	-	(517)	-	-	-
Foreign exchange translation differences	-	-	(687)	-	-	(502)
Transfer of amount equivalent to additional depreciation on revalued assets	(110)	-	110	(110)	-	110
At 30th June, 1991	<u>7,892</u>	<u>1,429</u>	<u>263,791</u>	<u>7,892</u>	<u>225</u>	<u>232,939</u>

Goodwill written off in earlier years in respect of current subsidiaries amounted to £30.6 million.

22. Future capital expenditure of the group	1991 £000	1990 £000
Contracted for but not provided in the financial statements	-	-
Authorised but not contracted for	1,500	-

23. 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	585,305
20th November, 1989	48.0p	1992-1996	12,647,900
11th November, 1990	60.5p	1993-1997	1,830,000
13th March, 1991	63.5p	1994-1998	3,380,000

24. Contingent liabilities

Amstrad plc has guaranteed the overdraft facilities of subsidiary companies to the extent of £26.8 million (1990-£19.6 million).

Amstrad plc has, as part of the acquisition consideration of Video Electronics Inc., underwritten the value of consideration shares at 20th August, 1992 to be not less than US\$2,000,000. Amstrad plc shares equivalent to the value of £3.2 million, at current exchange rate and share price, will be issued to extinguish any shortfall.

The group is subject to a court order requiring it to enter into an agreement regarding distribution and royalty payments, the financial implications of which are uncertain. On the basis of independent legal advice the board of directors is satisfied that the eventual outcome of this and other litigation involving the group will not have any material adverse effect on the group.

Ten Year Financial Record

	Note	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Turnover (excluding VAT) (£m)		28.1	51.8	84.9	136.1	304.1	511.8	625.4	626.3	577.3	528.4
Profit before taxation (£m)	1	4.8	8.0	9.1	20.2	75.3	135.7	160.4	76.6	43.7	20.2
Profit after taxation (£m)	1	2.6	5.3	5.7	14.0	52.0	93.4	105.1	51.1	34.3	14.5
Dividends pence/share (incl. tax credit)	2	0.14	0.16	0.19	0.27	0.49	0.97	1.87	1.87	1.87	1.87
Dividend cover (times)	3	6	10	8	14	27	24	14	6	4	2
Profit retained for the year (£m)		2.4	5.1	5.0	12.9	47.2	89.6	93.0	43.1	2.3	5.4
Earnings pence/share after tax	2	0.5	1.1	1.2	2.6	9.5	17.1	19.0	9.0	6.1	2.5
Share capital and reserves (£m)		7.2	12.3	29.2	42.2	88.1	179.5	256.2	310.8	311.1	316.5
Key Ratios Turnover change over prior year		98.6%	84.6%	64.0%	60.2%	123.5%	68.3%	22.2%	0.1%	(7.8%)	(8.5%)
Profit before taxation change over prior year		100.8%	68.6%	13.3%	121.1%	273.5%	80.3%	18.2%	(52.2%)	(43.0%)	(53.8%)
Profit before taxation as a percentage of sales		17.0%	15.5%	10.7%	14.8%	24.8%	26.5%	25.6%	12.2%	7.6%	3.8%

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 1982 and 1983 by A. M. Sugar.

AMSTRAD plc

FORM OF PROXY

I/We

being (a) member(s) of Amstrad plc, hereby appoint the Chairman of the Meeting
(See Note 1)

or

of

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting
of the company to be held on Monday 18th November, 1991 and at any adjournment
thereof. This proxy is to be used as follows:

RESOLUTIONS	FOR	AGAINST
1 To receive and adopt the financial statements for the year ended 30th June, 1991 and the directors' and auditor's report thereon	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a dividend	<input type="checkbox"/>	<input type="checkbox"/>
3 To elect directors (i) Mr J. L. Rice	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Mr K. Ashcroft	<input type="checkbox"/>	<input type="checkbox"/>
4 To reappoint the auditor and to authorise the directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
5 Special business (A) Special resolution to disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>
(B) Special resolution to authorise the purchase of own shares	<input type="checkbox"/>	<input type="checkbox"/>
6 To transact any other ordinary business of the company	<input type="checkbox"/>	<input type="checkbox"/>

Signature

Date

NOTES

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