

942631

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**Results at a Glance** for the year ended 30 June 1996

Amstrad plc

Turnover by Geographical Destination	1996		1995	
	£m	% of turnover	£m	% of turnover
UK	191.5	58.2	154.2	56.8
Germany	36.5	11.1	43.3	15.9
Benelux	32.2	9.8	18.8	6.9
Denmark	18.5	5.6	4.4	1.6
France	15.9	4.8	7.8	2.9
Other European Countries	29.2	8.8	34.9	12.9
Rest of World	5.5	1.7	8.2	3.0
	<u>329.3</u>	<u>100.0</u>	<u>271.6</u>	<u>100.0</u>

Turnover by Product	1996		1995	
	£m	% of turnover	£m	% of turnover
Telephones and Faxes	131.9	40.0	63.6	23.4
Computers	123.9	37.6	117.7	43.3
Satellite Receivers and Dishes	33.5	10.2	50.1	18.5
Audio	26.2	8.0	20.8	7.7
Video and Television	13.8	4.2	19.4	7.1
	<u>329.3</u>	<u>100.0</u>	<u>271.6</u>	<u>100.0</u>

<b>(Loss)/Profit on ordinary activities before taxation</b>	(£14.9m)	£3.1m
<b>(Loss)/Earnings per share</b>	(13.7p)	2.2p
<b>Adjusted (loss)/earnings per share</b>	(8.6p)	1.3p
<b>Dividends per share (net)</b>	2.75p	2.5p
<b>Net cash</b>	£106.8m	£141.9m

## Directors and Advisers

# Amstrad

### The Board of Directors

A.M. Sugar DSc (Chairman)  
J.L. Rice BA  
A.G. Dean BSc (Econ), ACA  
R.J. Watkins  
J.E. Samson F.Inst.P, C.Phys \*  
M.E. Beckett BSc, FIMM +

\* Chairman of Remuneration  
Committee  
+ Chairman of Audit Committee

### Secretary

D.I. Hyams LL.B., Barrister

### Registered Office

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

Registered Number: 942631

### Advisers

#### Registrars

Lloyds Bank Registrars,  
The Causeway,  
Worthing,  
West Sussex BN99 6DA

#### Bankers

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

#### Auditors

Deloitte & Touche,  
Chartered Accountants,  
Hill House,  
1 Little New Street,  
London EC4A 3TR

#### Solicitors

Herbert Smith & Co.,  
Exchange House,  
Primrose Street,  
London EC2A 2HS

#### Merchant Bankers

Deutsche Morgan Grenfell,  
6-8 Bishopsgate,  
London EC2N 4DA

#### Stockbrokers

HSBC James Capel,  
Thames Exchange,  
10 Queen Street Place,  
London EC4R 1BL

## Non-Executive Directors

### Mr. J.E. Samson

Mr. Samson has many years experience working with Plessey Company plc, Standard Telephones and Cables plc (where he was a main board director) and General Electric Company plc (where he was Managing Director Hotpoint from 1983 to 1989), a member of GEC Management Board (1984 to 1989) and Managing Director GEC Consumer Products Group (1985 to 1989).

Mr. Samson was Group Managing Director of Yale and Valor plc between 1989 and 1991 and is a non-executive director of a number of companies including Moss Bros Group plc.

### Mr. M.E. Beckett

Mr. Beckett was a director of Consolidated Gold Fields plc between 1975 and 1986 and Managing Director between 1986 and 1989 until that company was taken over by Hanson plc.

Mr. Beckett is currently Chairman of Greycoat plc, Chairman of Horace Clarkson plc, Chairman of Monarch Resources Limited, Chairman of Watts, Blake, Bearne plc and a non-executive director of a number of other companies including B.P.B. Industries Plc and Borneo Petroleum Syndicate Plc.

## Group Operating Companies

# Amstrad

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<b>Company</b>	<b>Country of Principal Operation</b>	<b>Activity</b>
<b>Viglen Limited</b>	United Kingdom	Manufacture and marketing of computers, peripherals and software
<b>Dancall Telecom A/S</b>	Denmark	Design, manufacture and distribution of mobile and cordless telephones and pagers
<b>Amstrad Consumer Electronics Limited</b>	United Kingdom	Design, manufacture and distribution of consumer electronic products
<b>Amstrad GmbH</b>	Germany	Distribution of consumer electronic and telecommunication products
<b>Amstrad International S.A.</b>	France	Distribution of consumer electronic and telecommunication products
<b>Amstrad B.V.</b>	Holland	Distribution of consumer electronic products
<b>Betacom Plc</b>	United Kingdom	Design, development, marketing and distribution of telecommunication and other consumer electronic products
<b>Dataflex Design Communications Limited</b>	United Kingdom	Design, manufacture and distribution of modems and telecommunication products

## **Chairman's Statement**

Amstrad plc

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### **Financial Review**

Sales for the financial year ended 30 June 1996 were £329.3 million (1995 - £271.6 million), with a loss before tax of £14.9 million (1995 - profit £3.1 million) and adjusted loss per share of 8.6p (1995 - adjusted earnings per share 1.3p). The results include in total operating and non-operating exceptional charges of £10.7 million which are explained below.

At the interim we reported charges of £4.0 million, resulting from reorganisation plans for the traditional consumer electronics business, Amstrad Consumer Electronics Limited (ACE), which we believed would place ACE in a position to trade profitably. However, deteriorating trading conditions in Europe had meant that these measures did not go far enough and a much more fundamental restructuring plan announced in July 1996 has proved necessary to eliminate the loss making activities of ACE.

ACE's activities in audio, video, television and facsimile products have now been taken on by the existing Betacom Plc organisation allowing significant cost savings to be made. In future Betacom will source Amstrad branded products directly from suppliers, but initially it will source from ACE's current stocks until they are exhausted.

Exceptional charges of £6.7 million arise from this fundamental restructuring.

In June 1996, we announced that we were in discussions with Psion Plc regarding a potential offer for Amstrad plc. A merger of the two groups would have created an exciting new high technology company, in particular combining the digital technology of Dancall Telecom A/S with Psion's leading market position in personal organisers. Unfortunately, the discussions were terminated because we were unable to reach agreement on the terms of a merger.

The Board of Directors recommend a maintained final dividend of 1.5p (1995 - 1.5p) per ordinary share to be paid on 1 November 1996 to shareholders on the register at 24 September 1996, which together with an interim dividend of 1.25p (1995 - 1.0p) paid on 12 April 1996, makes a total distribution of 2.75p (1995 - 2.5p) per ordinary share in respect of the year ended 30 June 1996.

The net cash balance at 30 June 1996 was £106.8 million (1995 - £141.9 million) after paying a further £10.8 million of additional consideration in respect of the Viglen Limited acquisition, and £5.0 million of capital expenditure at Dancall where inventories and receivables have increased with the expansion of production and sales.

### **Operating Review**

ACE has continued to experience very tough market conditions, especially in Germany, and trading losses have been incurred. The arrangements with Betacom will result in significant headcount reduction and downsizing of UK and overseas operations that will greatly reduce costs and are expected to eliminate loss making activities.

Dancall achieved target levels of production and sales grew substantially to reach £100 million in the year. Like its competitors, it has experienced very competitive market conditions bringing pressure on prices and margins which resulted in further losses in the second half. We will continue to focus on developing Dancall's product range in GSM/PCN and DECT, supported by a strong commitment to on-going research and development expenditure.

## Chairman's Statement (cont'd)

Amstrad plc

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Viglen's sales growth in the year has been pleasing and profits were in line with our expectations. Manufacturing capacity has been expanded with a new factory in West London and Viglen's strengthened management team is driving further into the education and local government sectors.

Betacom traded profitably in the year successfully maintaining margins and controlling overhead costs. The addition of ACE products to the Betacom operation represents a significant opportunity to expand Betacom's sales using its existing infrastructure.

Dataflex Design Communications Limited continues to extend its range of modem products and to develop its OEM business with major computer manufacturers.

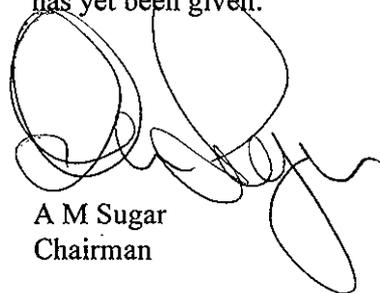
### Outlook

The rationalisation of ACE represents a major change in the focus of the Group's activities away from consumer electronics. Whilst these activities will continue through Betacom, we will concentrate on building up the technology based businesses that we have in Dancall, Viglen and Dataflex Design Communications, as well as preparing to enter the new digital set top box market.

ACE's losses which have been a drain on the Group for so long should not reoccur.

Market conditions for current products are still difficult for Dancall but steps have been taken to adjust to these conditions and the Board is more optimistic for the out-turn in 1996/97. The R&D division of Dancall have some innovative products under development.

The trial of the company's litigation against Seagate Technology Inc was completed in July 1996. No judgement has yet been given.



A M Sugar  
Chairman

10 September 1996

## Directors' Report

Amstrad plc

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 1996.

### Principal activities

The company and its subsidiaries are engaged in the design, manufacture and distribution of consumer electronic and telecommunication products.

### Results

Turnover for the year was £329.3 million (1995 - £271.6 million). Loss on ordinary activities before taxation was £14.9 million (1995 - £3.1 million profit). The results and future development of the group are dealt with in the Chairman's Statement.

### Dividends

An interim dividend of 1.25p per share was paid on 12 April 1996 (1995 - 1.0p per share). The directors recommend the payment of a final dividend of 1.5p per share (1995 - 1.5p per share).

### Directors and directors' interests

The present membership of the board is set out on page 2. Mr. D.C.W. Rogers resigned on 12 January 1996. Mr. J.E. Samson and Mr. M.E. Beckett retire by rotation and offer themselves for re-election.

There are no service agreements, existing or proposed, between any of the executive directors and the company or any of its subsidiaries (excluding contracts expiring or determinable by the employing company within one year).

By reason of Mr. A.M. Sugar's indirect ownership of 40.7% of the ordinary shares of Tottenham Hotspur plc ("Tottenham"), 76% of the ordinary shares of Amsprop Limited and direct ownership of 100% of the ordinary shares of Amshold Limited, Mr. A.M. Sugar has an interest in the following contracts between Amstrad plc and its subsidiaries and those companies:

- 1) A three year contract dated 6 July 1993 for the purchase from Tottenham of advertising (total aggregate value £57,000) which has now expired. Two three year contracts dated 20 May 1996 and 21 June 1996 respectively for the purchase from Tottenham of advertising (total aggregate value £130,000). In addition, during the year ended 30 June 1996 a further £50,000 was paid for advertising services.
- 2) The provision of computer services commencing 1 April 1993 to Tottenham (value £25,000 per annum) terminable on one month's notice. This agreement was terminated on 31 December 1995.
- 3) A contract for the provision by Amshold Limited of Mr. A.M. Sugar's services from 1 January 1993 to Amstrad plc at a consideration of £195,000 per annum, terminable on 12 months' notice (this amount has been included in directors' emoluments).
- 4) A lease granted to Amsprop Limited over part of the 10th floor of Brentwood House at a rent of £15,252 per annum for a term of three years from 1 May 1993. The lease has been extended by a further one year, at the same rent, to 30 April 1997.

Apart from the above, 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 or its subsidiaries, which was or is significant in relation to the group's business.

Directors interests in Amstrad plc shares and share options are disclosed in the report of the Remuneration Committee on pages 9 to 11.

### Substantial shareholdings

At 3 September 1996 the following interest in 3% or more of the issued share capital other than Mr. A.M. Sugar's holding of 34.8% had been notified to the company:

	<u>Number of Shares</u>	<u>Percentage</u>
Shell Contributory Pension Fund	4,106,500	3.5

### Fixed Assets

In the opinion of the directors, there has been no permanent diminution in the balance sheet value of the group's properties.

### Research and development

The group carries out research and development as part of its day to day activities in relation to its products according to the market in which it operates.

## **Directors' Report** (continued)

Amstrad plc

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### **Employment of disabled persons**

It is the policy of the group 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 staff are fully informed of the group's affairs. Share option schemes are designed to give senior management within the group, both at home and abroad, a stake in its future growth and success.

### **Political and charitable donations**

Charitable donations of £20,000 were made during the year (1995 - £20,000). No political donations were made during the year (1995 - £nil).

### **Payment to suppliers**

Subsidiary companies are responsible for agreeing payment terms and conditions with their suppliers according to local laws and generally accepted trading practices within their businesses and geographic region. It is the group's normal practice to pay suppliers promptly provided that the suppliers meet their obligations.

### **Close company status**

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

### **Corporate governance**

The company has complied with the Code of Best Practice established by the Cadbury Committee except for the fact that the company had two rather than three non-executive directors throughout the year and that the Chairman and Chief Executive positions are no longer separate roles. A summary of the system of corporate governance adopted by the company is set out below.

The activities of the company are controlled by the Board of Directors, whose responsibilities are set out on page 12. The Board which consists of a Chairman, three other executive directors and two non-executive directors, meets regularly throughout the year, usually monthly.

The Board has both an Audit and Remuneration Committee whose members are the non-executive directors. The Audit Committee meets at least three times per year to consider the group's internal controls, accounting policies and financial reporting. It provides a forum through which the company's internal auditors report to the Board. The Remuneration Committee meets at least twice per year to review the terms and conditions of the executive directors and senior staff. The annual report of the Remuneration Committee for the year ended 30 June 1996 is set out on pages 9 to 11.

### **Internal control**

The Board of Directors acknowledge their ultimate responsibility for ensuring that the group has in place a system of financial controls that is appropriate to the various business environments in which it operates. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material mis-statement and loss.

The key internal financial control procedures are summarised as follows:

- Control environment - the existence of a clear organisational structure and well defined lines of responsibility and delegation of appropriate levels of authority.
- Risk management - business plans and treasury operations are reviewed by the Board. Detailed appraisals and the evaluation of financial implications are undertaken prior to the commencement of major capital expenditure and projects. A process of risk identification has been implemented at each company and progress on the management of these risks is monitored by the Audit Committee.
- Financial reporting - a comprehensive system of budgets and forecasting with monthly monitoring and reporting of actual results against targets.
- Control procedures and monitoring systems - documentation of authorisation levels and procedures and other systems of internal financial control are regularly reviewed by the Audit Committee. In addition, the Audit Committee meets periodically with the external auditors to discuss the results of their audit work.

The Audit Committee operates under written terms of reference and is comprised of the two non-executive directors. The Group Finance Director, Company Secretary and Head of Internal Audit are not members but are invited to attend the meetings and the Committee also meets with the external auditors without management present. Its duties include the review of the group's interim and annual financial statements prior to their recommendation to the Board for approval.

## Directors' Report (continued)

Amstrad plc

The Group Internal Audit function formally reports to the Audit Committee which approves its plans in advance and reviews the conclusions of its work. Internal control improvements are disseminated within the group as appropriate. Audit plans are developed based on an assessment of the control risks in each operating unit and their materiality in a group context.

To evaluate the effectiveness of internal controls, Group Internal Audit has identified key risks for each company in the group and the controls that effectively minimise these risks within the organisation. These controls are subject to assessment and verification on a sample basis. This continuous process is now well established.

In addition to the above a high level review of the group's internal control environment has been undertaken based on a recognised framework.

The Audit Committee has reviewed the effectiveness of the system of internal financial controls and has reported to the Board of Directors on the results of this review.

### Going concern

After making enquiries, the directors have reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

The company's auditors, Deloitte & Touche, have confirmed that, in their opinion, with respect to the directors' statements on internal control and going concern above, the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements, and that the directors' other statements above appropriately reflect the group's compliance with the other paragraphs of the Code specified for their review. The auditors have carried out their review in accordance with the relevant guidance from the Auditing Practices Board, which does not require them to, and they did not, perform any additional work necessary to express a separate opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures or on the ability of the group to continue in operational existence.

### Resolutions to be proposed as Special Business at the Annual General Meeting

At the Annual General Meeting of Amstrad plc, to be held on 24 October 1996 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 £6,464,395 until the next Annual General Meeting.
2. 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.
3. A Special Resolution to authorise the company to buy on the open market up to 11,814,241 ordinary shares of 25p each (representing 10% of the issued ordinary share capital of the company) and cancel them. The company was authorised at last year's Annual General Meeting to purchase up to 11,640,789 of its ordinary shares in the market (representing 10% of the then issued ordinary share capital of the company). This authority has not been used and expires at the conclusion of the 24 October 1996 Annual General Meeting. This resolution renews and extends the authority to allow the company to purchase up to 11,814,241 ordinary shares (representing 10% of the issued ordinary share capital) for a further year. The directors have no present intention of using this authority and, in reaching any decision to purchase ordinary shares, will take into account the company's cash resources, capital requirements and the effect of any purchase on earnings per share.

### Auditors

On 1 February 1996 the auditors changed the name under which they practise to Deloitte & Touche and accordingly they have signed their report in their new name. A resolution to reappoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

10 September 1996  
Brentwood House,  
169 Kings Road,  
Brentwood, Essex CM14 4EF

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

D.I. Hyams  
Secretary



## **Report of the Remuneration Committee**

Amstrad plc

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### **Statement of compliance**

Throughout the year the company complied with Section A of the Best Practice Provisions on remuneration committees as annexed to the Listing Rules.

### **Remuneration Committee**

The Committee consists solely of the two non-executives: Messrs Beckett and Samson, under the chairmanship of Mr. Samson. None of the committee has any personal financial interests (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee consults the Chairman and other directors about its proposals and has access to professional advice from inside and outside the company.

### **Remuneration policy on executive directors' remuneration**

In framing their policy the Committee has given full consideration to the provisions of Section B of the Best Practice Provisions annexed to the Listing Rules.

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre required to ensure that the group is managed successfully to the benefit of shareholders. The company does not provide directors and staff with a pension scheme and levels of remuneration are set to reflect this policy. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Committee. The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. No director plays a part in any decision about his own remuneration.

There are four main elements of the remuneration package for executive directors and senior management:

- basic annual salary;
- annual bonus payments;
- share option incentives; and
- benefits in kind.

Executive directors are entitled to accept appointments outside the company providing the Chairman's permission is sought.

### **Basic salary**

An executive director's salary is determined by the Remuneration Committee usually at the beginning of each calendar year or when an individual changes position or responsibility. In deciding appropriate levels the Committee takes into account external market salary levels and an individual's performance. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

### **Annual bonus payment**

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. From 1 July 1995 the executive directors have participated in a management bonus scheme under which bonuses will be based on personal performance and the financial performance of the business. The measure of financial performance for the year ended 30 June 1996 was profits before tax, adjusted earnings per share and return on assets managed. Each executive director has specific performance related targets which determine the level of bonus, if any, payable. Details of directors' bonus schemes are available for inspection at the Annual General Meeting.

### **Share option incentives**

A new share option scheme for executive directors and senior managers was approved at the company's Annual General Meeting in November 1995. Under the scheme share options may be exercised on the company's achievement of earnings per share performance targets as agreed by the Committee. Options with a value up to four times an individual's salary may be granted.

### **Benefits in kind**

Executive directors are eligible to receive a fully expensed company car, health insurance benefits, life assurance cover and permanent health insurance.

## Report of the Remuneration Committee (continued)

Amstrad plc

### Directors' contracts

All executive directors, other than Mr. A.M. Sugar, have one year "rolling" contracts with the company. The company has a contract with Amshold Limited for Mr. A.M. Sugar's services from 1 January 1993, terminable on 12 month's notice. Mr. A.M. Sugar has direct ownership of 100% of the ordinary shares of Amshold Limited. The company is obliged to give 12 months notice on termination of a director's contract or offer compensation in lieu of notice.

### Non-executive directors

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. Non-executive directors cannot participate in the company's share option schemes. In accordance with the company's Articles of Association Mr. J.E. Samson and Mr. M.E. Beckett, who both have three year fixed term contracts commencing in February 1996 and March 1996 respectively, retire by rotation and offer themselves for re-election.

### Individuals' remuneration for the year ended 30 June 1996

The emoluments of the individual directors were:

	Salaries/Fees £'000	Bonus payments £'000	Benefits in kind £'000	Compensation for loss of office £'000	1996 Total £'000	1995 Total £'000
Chairman:						
A.M. Sugar	195	-	27	-	222	226
Executive Directors:						
A.G. Dean	114	12	14	-	140	125
J.L. Rice	104	10	16	-	130	116
R.J. Watkins +	138	-	16	-	154	197
D.C.W. Rogers +φ	131	-	10	225	366	227
M.M. Miller +	-	-	-	-	-	30
Non-Executives:						
J.E. Samson	27	-	-	-	27	25
M.E. Beckett	27	-	-	-	27	25
	<u>736</u>	<u>22</u>	<u>83</u>	<u>225</u>	<u>1,066</u>	<u>971</u>

+ Director for part of the year ended 30 June 1995

φ Director for part of the year ended 30 June 1996

### Compensation for loss of office

Mr. D.C.W. Rogers was paid £225,000, which represented 12 months pay, as compensation for loss of office.

## Report of the Remuneration Committee (continued)

Amstrad plc

### Directors' interests in Amstrad plc share options

Full details of the options held by executive directors who served during the year and any movements over the year are as follows:

	30 June 1995	Options granted during year	Options exercised during year	Options lapsed/ waived during year	30 June 1996	Exercise Price	Market Price at date of Exercise	Exercise Period	
								From	To
D.C.W. Rogers	300,000	-	300,000	-	-	137.5p	212.5p	27 Oct 1997	27 Oct 2001
J.L. Rice	140,000	-	-	-	140,000	240.0p	-	20 Nov 1992	20 Nov 1996
	50,000	-	-	-	50,000	132.5p	-	16 Mar 1995	16 Mar 1999
	-	2,644	-	-	2,644	217.5p	-	27 Feb 1999	27 Feb 2006
A.G. Dean	8,644	-	-	8,644	-	324.0p	-	22 Feb 1989	22 Feb 1996
	9,333	-	-	9,333	-	600.0p	-	31 Oct 1989	31 Oct 1996
	12,854	-	-	12,854	-	675.0p	-	7 Mar 1991	7 Mar 1998
	70,000	-	-	-	70,000	240.0p	-	20 Nov 1992	20 Nov 1996
	30,000	-	30,000	-	-	132.5p	266.5p	16 Mar 1995	16 Mar 1999
	-	65,399	-	-	65,399	217.5p	-	27 Feb 1999	27 Feb 2006
R.J. Watkins	150,000	-	-	-	150,000	142.5p	-	3 Nov 1997	3 Nov 2001
	-	54,598	-	-	54,598	217.5p	-	27 Feb 1999	27 Feb 2006

The Chairman and non-executive directors do not participate in the share option schemes.

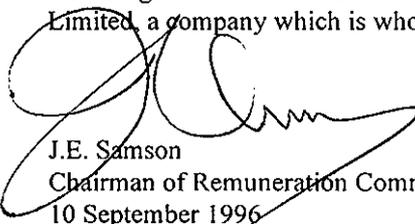
The mid-market price of the shares at 30 June 1996 was 191.0p (1995 - 248.0p). The highest mid-market price during the year was 293.5p and the lowest mid-market price was 142.5p.

### Directors' interests in Amstrad plc shares

The directors as at 30 June 1996 had the following interests in Amstrad plc shares.

	No. of ordinary shares beneficially held	
	30 June 1996	30 June 1995
A.M. Sugar	41,114,630	41,114,630
J.L. Rice	115,330	149,330
A.G. Dean	-	-
R.J. Watkins	-	-
J.E. Samson	7,000	7,000
M.E. Beckett	2,000	2,000

No changes in these interests have occurred up to 3 September 1996. Mr. A.M. Sugar's interest is largely held by Amshold Limited, a company which is wholly owned by Mr. A.M. Sugar.

  
 J.E. Samson  
 Chairman of Remuneration Committee  
 10 September 1996

## **Directors' Responsibilities for the Financial Statements**

Amstrad plc

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The directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss for that period of the group. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis. The directors are also responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the group and to prevent and detect fraud or any other irregularities.

## Auditors' Report

Amstrad plc

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### To the members of Amstrad plc

We have audited the financial statements on pages 14 to 28 which have been prepared under the accounting policies set out on page 18 and the detailed information disclosed in respect of any directors' remuneration, share options and long term incentive schemes set out in the report of the Remuneration Committee on pages 9 to 11.

### Respective responsibilities of directors and auditors

As described on page 12, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 1996, and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

10 September 1996

*Deloitte & Touche*  
Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR

Chartered Accountants and Registered Auditors

**Consolidated**  
**Profit and Loss Account** for the year ended 30 June 1996  
Amstrad plc

	Note	1996 £'000	1995 £'000
<b>Turnover</b>	1	329,330	271,565
Operating costs	2	(340,207)	(276,720)
Exceptional operating costs	2	(4,048)	-
<b>Operating loss</b>		(14,925)	(5,155)
Restructuring costs	3	(6,680)	-
Profit on disposal of fixed assets		420	1,003
<b>Loss on ordinary activities before interest</b>		(21,185)	(4,152)
Net interest	6	6,240	7,209
<b>(Loss)/Profit on ordinary activities before taxation</b>	7	(14,945)	3,057
<b>Tax charge on (loss)/profit on ordinary activities</b>	8	(684)	(463)
<b>(Loss)/Profit on ordinary activities after taxation</b>		(15,629)	2,594
Equity minority interests		(398)	(64)
<b>(Loss)/Profit for the financial year attributable to shareholders</b>		(16,027)	2,530
<b>Dividends paid and proposed</b>	9	(3,210)	(2,910)
<b>Loss retained for year</b>		(19,237)	(380)
<b>(Loss)/Earnings per share</b>	10	(13.7p)	2.2p
<b>Adjusted (loss)/earnings per share</b>	10	(8.6p)	1.3p
<b>Statement of total recognised gains and losses</b>			
(Loss)/Profit for the financial year		(16,027)	2,530
Exchange differences		(659)	756
<b>Total (losses)/gains recognised for the financial year</b>		(16,686)	3,286

There is no material difference between the reported loss on ordinary activities before taxation and the equivalent historical cost amount. The turnover and operating loss all relate to continuing operations.

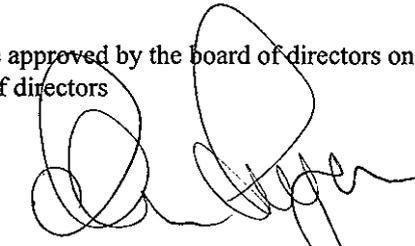
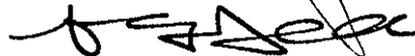
The notes on pages 18 to 28 form part of these financial statements.

# Consolidated Balance Sheet at 30 June 1996

Amstrad plc

	Note	1996		1995	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11		26,471		28,844
<b>Current assets</b>					
Stocks	13	76,651		63,463	
Debtors	14	47,143		37,478	
Investments	15	25,401		12,200	
Cash at bank and in hand	29	106,792		142,088	
		<u>255,987</u>		<u>255,229</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(104,530)</u>		<u>(79,745)</u>	
<b>Net current assets</b>			<u>151,457</u>		<u>175,484</u>
<b>Total assets less current liabilities</b>			177,928		204,328
<b>Creditors: amounts falling due after more than one year</b>	17		<u>(8,197)</u>		<u>(17,287)</u>
			<u>169,731</u>		<u>187,041</u>
<b>Capital and reserves</b>					
Called up share capital	18		29,219		29,101
Shares to be issued	19		5,468		5,720
Share premium account	20		18,055		17,480
Revaluation reserve	22		1,290		1,290
Other reserves	22		842		842
Profit and loss account	22		111,569		129,505
<b>Equity shareholders' funds</b>	24		<u>166,443</u>		<u>183,938</u>
Equity minority interests			3,288		3,103
			<u>169,731</u>		<u>187,041</u>

These financial statements were approved by the board of directors on 10 September 1996  
Signed on behalf of the board of directors


  
A.M. Sugar
   

  
A.G. Dean

}  
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} Directors  
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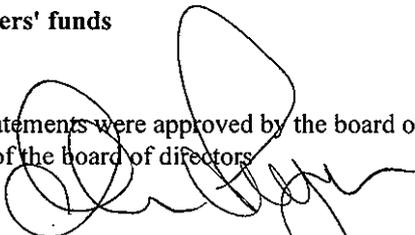
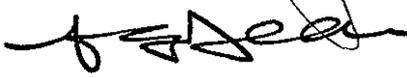
The notes on pages 18 to 28 form part of these financial statements.

**Company Balance Sheet** at 30 June 1996  
Amstrad plc

	Note	1996		1995	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11		10,194		11,958
Investments	12		97,624		77,731
			<u>107,818</u>		<u>89,689</u>
<b>Current assets</b>					
Stocks	13	-		18,751	
Debtors	14	54,674		34,686	
Investments	15	25,401		12,200	
Cash at bank and in hand		70,932		126,094	
		<u>151,007</u>		<u>191,731</u>	
<b>Creditors: amounts falling due within one year</b>	16	(37,964)		(43,751)	
<b>Net current assets</b>			<u>113,043</u>		<u>147,980</u>
<b>Total assets less current liabilities</b>			<u>220,861</u>		<u>237,669</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(8,197)		(17,287)
			<u>212,664</u>		<u>220,382</u>
<b>Capital and reserves</b>					
Called up share capital	18		29,219		29,101
Shares to be issued	19		5,468		5,720
Share premium account	20		18,055		17,480
Revaluation reserve	22		1,290		1,290
Other reserves	22		225		225
Profit and loss account	22		158,407		166,566
			<u>212,664</u>		<u>220,382</u>
<b>Equity shareholders' funds</b>			<u>212,664</u>		<u>220,382</u>

These financial statements were approved by the board of directors on 10 September 1996.

Signed on behalf of the board of directors


 A.M. Sugar }  
 }  
 } Directors  
 }  

 A.G. Dean }  
 }

The notes on pages 18 to 28 form part of these financial statements.

**Consolidated Cash Flow Statement** for the year ended 30 June 1996  
Amstrad plc

	Note	1996 £'000	1995 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	27	(17,407)	32,718
<b>Returns on investments and servicing of finance</b>			
Interest received		7,020	8,035
Interest paid		(651)	(820)
Dividends paid		(3,203)	(2,908)
		<u>3,166</u>	<u>4,307</u>
<b>Taxation</b>			
UK corporation tax paid		(2,156)	(1,197)
Overseas tax recovered/(paid)		89	(178)
		<u>(2,067)</u>	<u>(1,375)</u>
<b>Investing activities</b>			
Purchase of fixed assets		(8,413)	(13,950)
Purchase of subsidiaries	28	(10,814)	(27,135)
Sale of fixed assets		2,641	8,970
Sale of subsidiary	28	252	-
Purchase of investments	15	(2,883)	-
		<u>(19,217)</u>	<u>(32,115)</u>
<b>Financing</b>			
Issue of shares		693	179
		<u>693</u>	<u>179</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	30	<u>(34,832)</u>	<u>3,714</u>

The notes on pages 18 to 28 form part of these financial statements.

## Statement of Accounting Policies

Amstrad plc

The financial statements have been prepared in accordance with applicable accounting standards in the UK. 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. On closure or sale of subsidiaries, goodwill previously written off directly to the reserves is charged to the profit and loss account.

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 or valuation over their estimated useful lives as follows:

Freehold buildings.....2% per annum

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

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 trading commitments and on which a gain or loss has arisen at the year end are recognised as part of the loss on ordinary activities for 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 directly 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 stocks. Provisions necessary to write down products that have reached the end of their normal life expectancy are charged to other operating charges. Provisions which are necessary to write-down products before the end of their normal life expectancy and are also material in value, are disclosed as exceptional items in arriving at operating profit.

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 any permanent diminution in value.

h) **Development costs**

Development costs, both internal and external, associated with the company's products are written off as incurred.

## Notes to the Accounts

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	
	1996 £ million	1995 £ million	1996 £ million	1995 £ million	1996 £ million	1995 £ million
<b>Turnover</b>						
Total sales	222.0	212.7	164.6	112.8	386.6	325.5
Inter-segment sales	(46.7)	(50.3)	(10.6)	(3.6)	(57.3)	(53.9)
Third party turnover	175.3	162.4	154.0	109.2	329.3	271.6
<b>Net assets</b>						
Equity minority interests	(3.3)	(3.1)	-	-	(3.3)	(3.1)
Equity shareholders' funds	146.0	150.5	20.4	33.4	166.4	183.9
<b>(Loss)/Profit before taxation</b>						
Operating (loss)/profit plus interest	4.9	2.0	(13.5)	0.1	(8.6)	2.1
Restructuring costs	(3.0)	-	(3.7)	-	(6.7)	-
Profit on disposal of fixed assets	-	0.5	0.4	0.5	0.4	1.0
	1.9	2.5	(16.8)	0.6	(14.9)	3.1

Turnover to third parties by destination was UK £191.5 million, (1995 - £154.2 million), Continental Europe £132.3 million (1995 - £109.2 million) and Rest of World £5.5 million (1995 - £8.2 million). Third party turnover consists of sales invoiced to external customers during the year excluding value added tax and other sales taxes.

### 2. Operating costs

	1996 £'000	1995 £'000
Other operating income	1,724	1,801
Change in stocks of finished goods and work in progress	18,129	(39,248)
Raw materials and consumables	(273,022)	(165,073)
Other external charges	(31,229)	(24,850)
Staff costs	(36,062)	(30,532)
Depreciation and amounts written off tangible and intangible fixed assets	(7,985)	(5,942)
Other operating charges	(11,447)	(8,096)
Exceptional stock write-downs	-	(4,780)
Unsuccessful merger costs	(315)	-
	(340,207)	(276,720)

In December 1995 the company announced that the Amstrad Consumer Electronics business in the UK and Continental Europe was being rationalised. The costs (£4.0 million) relating to this rationalisation have been included in the operating loss for the year.

### 3. Restructuring costs

In addition to the above on 1 July 1996 the company announced a fundamental restructuring and downsizing of the Amstrad Consumer Electronics business. The costs of this restructuring (£6.7 million) have been disclosed as a non-operating exceptional item.

**Notes to the Accounts** (continued)  
Amstrad plc

4. Directors' emoluments	1996 £'000	1995 £'000
Non-executive directors - fees	54	50
Executive directors:		
Remuneration	765	828
Bonus payments	22	93
Compensation for loss of office	225	-
	1,066	971
	1,066	971

The Chairman's emoluments were £222,205 (1995 - £226,278). The highest paid director's emoluments were £365,950 (1995 - £227,538) and included £225,000 as compensation for loss of office.

The emoluments of all directors, excluding compensation for loss of office, fell within the following ranges:

	1996	1995
£20,001 - £25,000	-	2
£25,001 - £30,000	2	-
£30,001 - £35,000	-	1
£115,001 - £120,000	-	1
£125,001 - £130,000	-	1
£130,001 - £135,000	1	-
£135,001 - £140,000	1	-
£140,001 - £145,000	1	-
£150,001 - £155,000	1	-
£195,001 - £200,000	-	1
£220,001 - £225,000	1	-
£225,001 - £230,000	-	2

Further details of directors' emoluments and interests are included in the report of the Remuneration Committee on pages 9 to 11. These details include an analysis of salary, other payments and benefits, by director on page 10 and an analysis of directors' share options and directors' share interests on page 11.

5. Staff costs	1996 £'000	1995 £'000
Wages and salaries including directors' emoluments	33,779	28,359
Social security costs	2,283	2,173
	36,062	30,532
	36,062	30,532
These costs were in respect of the average number of employees during the year:	<b>No.</b> 1,350	<b>No.</b> 1,111
	1,350	1,111

**Notes to the Accounts** (continued)

Amstrad plc

**6. Net interest**

	1996 £'000	1995 £'000
Interest receivable and similar income	6,318	7,366
Interest on investments backing loan notes	1,194	663
Interest payable on loan notes	(1,194)	(663)
Interest payable on borrowings	(78)	(157)
	<u>6,240</u>	<u>7,209</u>

As part of the consideration for the purchase of Viglen Limited, a total of £22.5 million (1995 - £12.2 million) of loan notes have been issued. The loan notes are backed by a £22.5 million (1995 - £12.2 million) deposit with Lloyds Bank Plc and carry interest at a floating rate calculated by reference to the rate at which Amstrad plc is able to earn interest on sterling deposits of an equivalent amount, taking into account the cost of the related bank guarantee.

**7. (Loss)/Profit on ordinary activities before taxation is after charging:**

	1996 £'000	1995 £'000
Depreciation of fixed assets	7,985	5,942
Auditors' remuneration - audit fees	254	288
- non-audit fees	319	132
Hire of plant and machinery	176	148
Hire of other assets	1,173	876
	<u>11,907</u>	<u>13,586</u>

**8. Tax charge on (loss)/profit on ordinary activities**

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33 % (1995-33%) based on the profit for the year	(1,037)	(1,124)
Deferred tax	-	556
Overseas tax	-	(98)
Prior year adjustment	353	203
	<u>(684)</u>	<u>(463)</u>

The tax charge arises due to taxable profits in UK resident companies. No provision is made for any taxation which may arise if overseas subsidiaries were to distribute the balance of their reserves as no such distributions are expected to be made in the foreseeable future. There was no unprovided deferred tax liability at 30 June 1996.

**9. Dividends**

The directors propose a final dividend of 1.5p (1995 - 1.5p) per ordinary share, which together with the interim dividend of 1.25p (1995 - 1.0p) per ordinary share paid on 11 April 1996 makes a total distribution of 2.75p (1995 - 2.5p) per ordinary share in respect of the year ended 30 June 1996.

This is equivalent to 3.44p (1995 - 3.13p) per ordinary share with the related tax credit at the current rate of 20/80ths (1995-20/80ths).

**10. (Loss)/Earnings per share**

	1996 Pence	1995 Pence
(Loss)/Earnings per share	(13.7)	2.2
Restructuring costs	5.5	-
Profit on disposal of fixed assets	(0.4)	(0.9)
Adjusted (loss)/earnings per share	<u>(8.6)</u>	<u>1.3</u>

## Notes to the Accounts (continued)

Amstrad plc

Loss per share is calculated by dividing the loss for the financial year attributable to the shareholders of Amstrad plc for the year ended 30 June 1996, amounting to £16.0 million (1995 - £2.5 million profit) by 116.6 million ordinary shares (1995 - 116.3 million), the average number in issue during the financial year. The dilutive effect of unexercised share options and shares to be issued on the loss per share is not material.

Adjusted (loss)/earnings per share excludes restructuring costs and the profit on disposal of fixed assets, and has been separately disclosed as the directors believe this figure gives a clearer indication of the group's operating performance.

### 11. Tangible fixed assets

#### CONSOLIDATED

	Freehold land and buildings £'000	Plant, fixtures and fittings £'000	Total £'000
Cost or revaluation at 1 July 1995	15,590	24,930	40,520
Exchange differences	(104)	(812)	(916)
Additions	93	8,320	8,413
Disposal of subsidiary	-	(120)	(120)
Disposals	(2,031)	(2,140)	(4,171)
Cost or revaluation at 30 June 1996	13,548	30,178	43,726
Depreciation at 1 July 1995	1,557	10,119	11,676
Exchange differences	(16)	(241)	(257)
Charged in year	357	7,628	7,985
Disposal of subsidiary	-	(96)	(96)
On disposals	(555)	(1,498)	(2,053)
Depreciation at 30 June 1996	1,343	15,912	17,255
Net book value At 30 June 1996	12,205	14,266	26,471
Net book value At 30 June 1995	14,033	14,811	28,844
<b>COMPANY</b>			
Cost or revaluation at 1 July 1995	10,624	5,664	16,288
Additions	-	198	198
Transfers to subsidiary	-	(4,774)	(4,774)
Disposals	-	(212)	(212)
Cost or revaluation at 30 June 1996	10,624	876	11,500
Depreciation at 1 July 1995	693	3,637	4,330
Charged in year	170	111	281
Transfers to subsidiary	-	(3,169)	(3,169)
On disposals	-	(136)	(136)
Depreciation at 30 June 1996	863	443	1,306
Net book value At 30 June 1996	9,761	433	10,194
Net book value At 30 June 1995	9,931	2,027	11,958

Freehold land and buildings include properties valued at open market value for existing use at 30 June 1994 of £9.2 million. If these properties were stated at historic cost they would have been included at a cost of £9.1 million and a net book value of £7.5 million (1995 - £7.6 million).

## Notes to the Accounts (continued)

Amstrad plc

### 12. Investments COMPANY

	Subsidiary companies £'000
Cost at 1 July 1995	124,267
Additions	32,214
Disposals	(321)
Cost at 30 June 1996	<u>156,160</u>
Provisions at 1 July 1995	46,536
Provided in year	12,000
Provisions at 30 June 1996	<u>58,536</u>
Net book value at 30 June 1996	<u>97,624</u>
Net book value at 30 June 1995	<u>77,731</u>

The following information relates to the group's principal subsidiary companies which are all engaged in the group's principal activity:

Name of subsidiary	Percentage of allotted equity capital owned	Country of incorporation and operation
Amstrad Consumer Electronics Limited	100%	United Kingdom
Viglen Limited	100%	United Kingdom
Betacom Plc	66%	United Kingdom
Dataflex Design Communications Limited	95%	United Kingdom
Dancall Telecom A/S	100%	Denmark
Amstrad GmbH	100%	Germany
Amstrad International S.A.	100%	France
Amstrad B.V.	100%	Holland

Betacom Plc is listed on The London Stock Exchange. The cost of this investment at 30 June 1996 was £8.1 million and its market value at that date was £6.4 million (1995 - £4.6 million).

13. Stocks	Consolidated		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Raw materials and consumables	29,347	33,855	-	5,832
Work in progress	3,209	3,470	-	-
Finished goods and goods for resale	44,095	26,138	-	12,919
	<u>76,651</u>	<u>63,463</u>	<u>-</u>	<u>18,751</u>

On 1 July 1995 the business and trading assets of Amstrad plc were hived down to a new subsidiary, Amstrad Consumer Electronics Limited.

14. Debtors	Consolidated		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Trade debtors and bills of exchange receivable	41,176	30,866	-	6,491
Amounts owed by group companies	-	-	53,607	24,169
Other debtors	2,962	3,937	979	714
Prepayments	1,068	966	88	136
Overseas taxation	818	920	-	-
UK corporation tax	1,119	789	-	289
UK group relief	-	-	-	2,887
	<u>47,143</u>	<u>37,478</u>	<u>54,674</u>	<u>34,686</u>

Overseas taxation and UK corporation tax includes amounts recoverable after more than one year of £0.8 million (1995 - £0.8 million) and £0.5 million (1995 - £0.5 million) respectively.

**Notes to the Accounts (continued)**

Amstrad plc

**15. Investments**

Investments include a £22.5 million deposit (1995 - £12.2 million) with Lloyds Bank Plc which backs the £22.5 million (1995 - £12.2 million) of loan notes held by the vendors of Viglen Limited which are included in creditors falling due within one year.

Investments also include a net £2.9 million (1995 - £nil) sterling cash deposit being the net of a £36.4 million (1995 - £nil) sterling cash deposit held by Lloyds Bank Plc which backs a £33.5 million (1995 - £nil) Danish kroner loan. The Danish kroner loan acts as a hedge against the group's investment in Dancall Telecom A/S.

**16. Creditors: amounts falling due within one year**

	Consolidated		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Loan notes	22,518	12,200	22,518	12,200
Deferred purchase consideration	7,266	10,000	7,266	10,000
Contingent consideration	463	813	463	813
Bank loans and overdrafts	-	163	-	-
Trade creditors	33,886	31,741	496	9,050
Amounts owed to group companies	-	-	-	1,936
UK corporation tax	1,305	2,589	200	200
UK group relief	-	-	2,775	-
Other taxation and social security costs	3,524	2,793	68	339
Overseas taxation	4	25	-	-
Other creditors	12,362	11,443	953	6,624
Accruals and deferred income	14,769	6,232	1,472	843
Restructuring provision	6,680	-	-	-
Dividends proposed	1,753	1,746	1,753	1,746
	<u>104,530</u>	<u>79,745</u>	<u>37,964</u>	<u>43,751</u>

The loan notes, deferred purchase consideration and contingent consideration relate to the purchase of Viglen Limited as disclosed in note 28.

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

	Consolidated		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Deferred purchase consideration	7,266	14,280	7,266	14,280
Contingent consideration	931	3,007	931	3,007
	<u>8,197</u>	<u>17,287</u>	<u>8,197</u>	<u>17,287</u>

Deferred purchase consideration and contingent consideration relate to the purchase of Viglen Limited as disclosed in note 28.

## Notes to the Accounts (continued)

Amstrad plc

18. Called up share capital	1996		1995	
	Ordinary shares of 25p each		Ordinary shares of 25p each	
	Shares	£'000	Shares	£'000
The authorised share capital comprised:	<u>144,000,000</u>	<u>36,000</u>	<u>144,000,000</u>	<u>36,000</u>
Of which the following were allotted, issued and fully paid:				
At 1 July 1995	116,402,892	29,101	116,267,892	29,067
Shares issued	<u>474,000</u>	<u>118</u>	<u>135,000</u>	<u>34</u>
At 30 June 1996	<u>116,876,892</u>	<u>29,219</u>	<u>116,402,892</u>	<u>29,101</u>

### 19. Shares to be issued

Certain of the vendors of Viglen Limited have agreed to accept Amstrad plc 25p ordinary shares, at a value of 219.5p per share, as satisfaction of part of the deferred consideration for the purchase of Viglen Limited. 1,245,527 25p ordinary shares (value £2.73 million) were issued to the vendors in August 1996 and 1,245,527 25p ordinary shares (value £2.73 million) will be issued in August 1997, giving a total of 2,491,054 25p ordinary shares (value £5.46 million) to be issued.

### 20. Share premium account

	£'000
At 1 July 1995	17,480
Arising on issue of shares	575
	<u>18,055</u>
At 30 June 1996	<u>18,055</u>

### 21. Loss 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 accounts. The parent company's loss after taxation for the financial year amounted to £4.5 million (1995 - £0.8 million profit).

### 22. Reserves

	Consolidated			Company		
	Revaluation reserve	Other reserve	Profit and loss account	Revaluation reserve	Other reserve	Profit and loss account
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 1995	1,290	842	129,505	1,290	225	166,566
Loss retained for the year	-	-	(19,237)	-	-	(7,681)
Change in goodwill	-	-	1,612	-	-	-
Goodwill on disposal	-	-	348	-	-	-
Exchange differences	-	-	(659)	-	-	(478)
At 30 June 1996	<u>1,290</u>	<u>842</u>	<u>111,569</u>	<u>1,290</u>	<u>225</u>	<u>158,407</u>

Goodwill written off in respect of current subsidiaries amounts to £53.2 million.

Change in goodwill represents the change in contingent consideration relating to the acquisition of Viglen Limited as disclosed in note 28.

**Notes to the Accounts** (continued)

Amstrad plc

23. Reconciliation of movements in shareholders' funds	1996 £'000	1995 £'000
Shareholders' funds at 1 July 1995	183,938	228,675
(Loss)/Profit for financial year	(16,027)	2,530
Dividends	(3,210)	(2,910)
Goodwill on acquisition	-	(51,012)
Change in goodwill	1,612	-
Goodwill on disposal	348	-
Exchange differences	(659)	756
Shares issued in year	693	179
Shares to be issued	(252)	5,720
	<hr/>	<hr/>
Shareholders' funds at 30 June 1996	166,443	183,938
	<hr/>	<hr/>
24. Future capital expenditure of the group	1996 £'000	1995 £'000
Contracted for but not provided in the financial statements	104	100
	<hr/>	<hr/>

**25. 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	
			Directors	Senior Employees
20 November 1989	240.0p	1992-1996	210,000	486,000
11 November 1990	302.5p	1993-1997	-	56,000
13 March 1991	317.5p	1994-1998	-	213,000
16 March 1992	132.5p	1995-1999	50,000	100,000
28 November 1994	142.5p	1997-2001	150,000	-
7 December 1995	259.5p	1998-2005	-	714,754
27 February 1996	217.5p	1999-2006	122,641	164,157

Details of directors' share options are disclosed in the annual report of the Remuneration Committee on page 11.

**26. Contingent liabilities**

Amstrad plc has guaranteed the deferment of duty facility of a subsidiary of £0.7 million (1995 - £0.7 million).

As at 30 June 1996 the vendors of Viglen Limited had a charge over 33% (1995 - 50%) of the share capital of Viglen Limited. The charge is released in equal instalments on payment by Amstrad plc of the deferred purchase consideration as disclosed in note 28.

The group is subject to various litigation, the financial implications of which are uncertain. On the basis of the information available the Board of Directors is satisfied that the eventual outcome of this litigation will not have any material adverse effect on the group.

**Notes to the Accounts** (continued)

Amstrad plc

**27. Net cash (outflow)/inflow from operating activities**

	1996 £'000	1995 £'000
Operating loss	(14,925)	(5,155)
Depreciation	7,985	5,942
Profit on disposal of fixed assets	(103)	(87)
Exchange differences	(538)	1,101
Goodwill written back	348	-
(Increase)/Decrease in stocks	(15,218)	25,111
(Increase)/Decrease in debtors	(10,369)	8,977
Increase/(Decrease) in creditors	15,413	(3,171)
	<u>(17,407)</u>	<u>32,718</u>

**28. Acquisition and disposal of subsidiaries**

During the financial year the company paid £10.8 million (1995 - £29.8 million) to the vendors of Viglen Limited representing deferred consideration of £10.0 million, and £0.8 million being a share of the profits before tax of Viglen Limited in excess of £9.0 million for the year ended 30 June 1995.

The balance sheet includes an accrual for the remaining £20.0 million (1995 - £30.0 million) of deferred purchase consideration of which £7.3 million (1995 - £10.0 million) is included in creditors falling due within one year, £7.3 million (1995 - £14.3 million) is included within creditors falling due after more than one year and £5.4 million (1995 - £5.7 million), being shares to be issued, is included in equity shareholders' funds. In addition, in the first three years following completion, the vendors share in a proportion of the profits before tax of Viglen Limited and the balance sheet includes an accrual of £1.4 million (1995 - £3.8 million) for this contingent consideration, of which £0.5 million (1995 - £0.8 million) is included as a creditor falling due within one year and the balance is shown as a creditor falling due after more than one year.

In April 1996 the company sold its 51% shareholding in Amstrad Hellas S.A.. The cash flow effect of the disposal was not material to the group.

**29. Analysis of the balances of cash and cash equivalents as shown in the balance sheet**

	1996 £'000	1995 £'000	Change in year £'000
Cash at bank and in hand	106,792	142,088	(35,296)
Bank overdrafts	-	(163)	163
	<u>106,792</u>	<u>141,925</u>	<u>(35,133)</u>

Two subsidiary companies have given a specific charge over their cash, the amount of the charge being limited to the value of documentary credits and other credit lines made available at any time.

**30. Analysis of changes in cash and cash equivalents during the year**

	£'000	£'000
Balance at 1 July 1995		141,925
Net cash outflow before adjustment for the effect of exchange differences	(34,832)	
Exchange differences	(301)	
	<u>(35,133)</u>	
Balance at 30 June 1996		<u>106,792</u>

**Notes to the Accounts (continued)**

Amstrad plc

**31. Operating lease obligations**

At 30 June 1996 the group had annual commitments under operating leases relating to land and buildings as follows:

	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
Expiring within one year	6	71
Expiring between two and five years inclusive	815	877
Expiring in over five years	152	75
	<u>973</u>	<u>1,023</u>

## Five Year Financial Record

£million	1992	1993	1994	1995	1996
<b>Profit and loss account</b>					
Turnover	356.6	308.5	238.9	271.6	329.3
Operating (loss)/profit	(59.3)	9.1	(26.5)	(5.1)	(14.9)
Non-operating exceptional items	(15.1)	(36.8)	(0.6)	1.0	(6.3)
Loss before interest	(74.4)	(27.7)	(27.1)	(4.1)	(21.2)
Net interest	3.7	7.2	7.2	7.2	6.3
(Loss)/Profit before taxation	(70.7)	(20.5)	(19.9)	3.1	(14.9)
Taxation credit/(charge)	17.2	(2.7)	1.4	(0.5)	(0.7)
Equity minority interests	0.3	(0.1)	(0.1)	(0.1)	(0.4)
(Loss)/Profit for the year	(53.2)	(23.3)	(18.6)	2.5	(16.0)
Dividends	(2.3)	(2.9)	(2.9)	(2.9)	(3.2)
Retained loss for year	(55.5)	(26.2)	(21.5)	(0.4)	(19.2)
(Loss)/Earnings per share	(47.0p)	(20.0p)	(16.0p)	2.2p	(13.7p)
Adjusted (loss)/earnings per share	(33.5p)	10.0p	(15.5p)	1.3p	(8.6p)
Dividend per share (net)	2.0p	2.5p	2.5p	2.5p	2.7p
<b>Balance Sheet</b>					
Intangible and tangible fixed assets	38.5	32.3	25.0	28.8	26.5
Investments	0.5	-	-	-	-
	39.0	32.3	25.0	28.8	26.5
Stock	77.8	60.5	77.3	63.4	76.7
Debtors	88.7	57.8	35.2	37.5	47.1
Investments	-	-	-	12.2	25.4
Cash at bank and in hand	122.2	167.3	137.9	142.1	106.8
	288.7	285.6	250.4	255.2	256.0
Creditors due within one year					
Loan notes	-	-	-	(12.2)	(22.5)
Deferred and contingent consideration	-	-	-	(10.8)	(7.7)
Borrowings and bills payable	(8.4)	(0.3)	(0.2)	(0.2)	-
Other creditors	(51.3)	(51.3)	(42.9)	(56.5)	(74.4)
	(59.7)	(51.6)	(43.1)	(79.7)	(104.6)
Total assets less current liabilities	268.0	266.3	232.3	204.3	177.9
Creditors due after more than one year					
Deferred and contingent consideration	-	-	-	(17.3)	(8.2)
Other creditors	(5.7)	(5.4)	-	-	-
Provisions for liabilities and charges	-	-	(0.6)	-	-
	262.3	260.9	231.7	187.0	169.7
Equity shareholders' funds	262.1	257.9	228.7	183.9	166.4
Equity minority interests	0.2	3.0	3.0	3.1	3.3
	262.3	260.9	231.7	187.0	169.7
Shareholders' funds per share	231.5p	222.0p	196.5p	158.0p	142.4p

**Note:**

Prior year figures have been restated in accordance with Financial Reporting Standard 3. Earnings per share, dividends per share and shareholders' funds per share have been restated for the one for five share consolidation that took place on 30 November 1994.

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the 26th ANNUAL GENERAL MEETING of Amstrad plc will be held at the Tower Suite, The Tower Thistle Hotel, St. Katharine's Way, London E1 9LD on 24 October 1996 at 3.00 p.m. for the following purposes:

1. To receive and adopt the financial statements for the year ended 30 June 1996 and the directors' and auditors' reports thereon.
2. To declare a dividend.
3. To re-elect directors.
4. To reappoint the auditors and authorise the directors to fix their remuneration.
5. To transact the following special business:-  
To consider, and if thought fit, pass the following resolutions:

**(A) As an ordinary resolution:**

That the directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £6,464,395 provided that this authority 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 relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

**(B) As a special resolution:**

That subject to the passing of resolution 5(A) contained in the Notice of the Annual General Meeting of the company of which this resolution is a part, 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 the said resolution 5(A) 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 an offer by way of rights in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to such exclusions as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws or requirements of any recognised regulatory body or any stock exchange or otherwise in any overseas territory; and
- b) the allotment of equity securities up to an aggregate nominal value of £1,400,000 otherwise than pursuant to 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.

**(c) 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 25p 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 11,814,241 (representing 10% of the issued share capital of the company);
- b) the minimum price which may be paid for each ordinary share is 25p (nominal value);
- c) the maximum price which may be paid for each ordinary share is an amount equal to 105 percent of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of The London Stock Exchange 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 31 December 1997 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.

10 September 1996

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

By order of the board  
D.I. Hyams  
Secretary

**Notes**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and 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. The 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. R.J. Watkins and Mr. A.G. Dean 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.