

Company Registration No. 942631

AMSLIT LIMITED
(formerly Amstrad plc)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1997



AMSLIT LIMITED
(formerly Amstrad plc)

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Directors and Advisers

Amslit

(formerly Amstrad)

The Board of Directors

A.M. Sugar DSc (Chairman)
A.G. Dean BSc (Econ), ACA
B. Tkachuk

Secretary

M.E. Ray

Registered Office

Viglen House,
Alperton Lane,
Alperton,
Middlesex HA0 1DX

Registered Number: 942631

Advisers

Bankers

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

Auditors

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

Directors' Report

Amslit Limited (formerly Amstrad plc)

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 1997.

Principal activities

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

Review of business

On 5 August 1997 Amstrad plc changed its name to Amslit Limited.

The profit and loss account for the period is set out on page 7.

Following a review of its principal businesses after the aborted merger discussions with Psion plc in June 1996, the Board decided to consider other options for realising value for shareholders. As a first step in this process Dancall Telecom A/S was sold on 30 April 1997 for £87.3 million resulting in an exceptional profit of £82.1 million.

On 9 May 1997 Amslit was awarded damages of £57.6 million in the Seagate proceedings. The addition of interest and costs have increased this amount to £87.1 million which has been paid into court. The amount is a taxable receipt for Amslit and is subject to appeal. No gain has been recognised in these accounts. The trial in the Western Digital proceedings is expected to begin in early 1998. It is still not clear when the Seagate proceedings or the Western Digital proceedings will be concluded.

On 3 June 1997 it was announced that proposals would be put to shareholders for the reorganisation of the Amslit Group by way of the acquisition of Amslit by a new company, Viglen Technology. The reorganisation was approved on 30 June 1997 and Amslit was split into its constituent parts with each Amslit shareholder receiving for each Amslit share, one Viglen Technology share, 163p nominal value of loan notes, the appropriate proportion of Amslit's Betacom plc shares and a letter of entitlement to the appropriate proportion of litigation loan notes. The letter of entitlement to litigation loan notes represents a shareholder's share of any net proceeds from the Seagate and Western Digital litigation.

On 4 June 1997 Amslit sold its business of trading in domestic satellite receiving equipment and electronic and electrical goods for the consumer market to Betacom plc for a consideration of £6.5 million settled in Betacom plc shares. Following the transaction Amslit owned 69.7% of Betacom plc. On 4 August 1997 Betacom plc was demerged from the group.

The company sold Dataflex Design Communications Limited on 11 September 1997.

Subsequent to the reorganisation the principal activities of Amslit are to continue with the litigation against Seagate and Western Digital and to liquidate the remaining assets to satisfy outstanding liabilities.

Dividends

An interim dividend of 1.25p per share was paid on 11 April 1997 (1996 - 1.25p per share). No final dividend will be paid (1996 - 1.5p per share)

Directors and directors' interests

The present membership of the board is set out on page 1. Mr. A.I. Sethill and Mr. B. Tkachuk were appointed on 19 December 1996. Mr. J.L. Rice resigned on 30 September 1996 and Mr. R.J. Watkins on 31 December 1996. Subsequent to the year end on 1 August 1997 Mr. M.E. Beckett, Mr. A.G. Dean, Mr. J.E. Samson and Mr. A.I. Sethill resigned. Mr. A.G. Dean was reappointed on 11 September 1997.

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).

Directors' Report (continued)
Amslit Limited (formerly Amstrad plc)

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 Amslit Limited and its subsidiaries and those companies:

- 1) 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).
- 2) A contract for the provision by Amshold Limited of Mr. A.M. Sugar's services from 1 January 1993 to Amslit Limited at a consideration of £195,000 per annum, terminable on 12 months' notice (this amount has been included in directors' emoluments).
- 3) 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 was extended by a further one year, at the same rent, to 30 April 1997 and a further extension over the whole of the 10th floor for a period of one year is currently under negotiation.

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.

The executive directors at 30 June 1997 were granted the following share options during the year:

	Number
A.G. Dean	250,000
A.I. Sethill	250,000
B. Tkachuk	250,000

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

The directors as at 30 June 1997 had the following interests in Amstrad plc shares:

	No. of ordinary shares beneficially held	
	30 June 1997	30 June 1996
A.M. Sugar	41,114,630	41,114,630
A.G. Dean	-	-
A.I. Sethill	-	-
B. Tkachuk	-	-
J.E. Samson	7,000	7,000
M.E. Beckett	2,000	2,000

Mr. A.M. Sugar's interest is largely held by Amshold Limited, a company which is wholly owned by Mr. A.M. Sugar.

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.

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

No charitable donations were made during the year (1996 - £20,000). No political donations were made during the year (1996 - £nil).

Directors' Report (continued)
Amslit Limited (formerly Amstrad plc)

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. The number of creditor days outstanding at 30th June 1997 was 37.

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.

Auditors

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.

23 October 1997
Viglen House,
Alperton Lane,
Alperton,
Middlesex, HA0 1DX

Approved by the Board of Directors and signed on
behalf of the Board



M.E. Ray
Secretary

**Directors' Responsibilities
for the Financial Statements**
Amslit Limited (formerly Amstrad plc)

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 of the group for that period. 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 company and the group and to prevent and detect fraud or any other irregularities.

Auditors' Report

Amslit Limited (formerly Amstrad plc)

To the members of Amslit Limited

We have audited the financial statements on pages 7 to 21 which have been prepared under the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 5, 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 1997, and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

23 October 1997

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 1997

Amslit Limited (formerly Amstrad plc)

	Note	1997 £'000	1996 £'000
Turnover	1		
Continuing operations		100,621	105,652
Discontinued operations		165,808	223,678
		<u>266,429</u>	<u>329,330</u>
Operating costs	2	(260,921)	(340,207)
Exceptional operating costs	4	-	(4,048)
		<u>266,429</u>	<u>(340,207)</u>
Operating profit/(loss)			
Continuing operations		10,117	10,455
Discontinued operations		(4,609)	(25,380)
		<u>10,117</u>	<u>(14,925)</u>
Profit on disposal of subsidiary	3	5,508	-
Restructuring and closure costs	4	82,143	-
Opening provision		6,680	-
Costs incurred		(23,148)	-
Closing provision		(4,916)	(6,680)
		<u>(21,384)</u>	<u>(6,680)</u>
Costs re scheme of arrangement	5	(2,811)	-
Profit on disposal of fixed assets		487	420
		<u>(2,324)</u>	<u>(6,260)</u>
Profit/(loss) on ordinary activities before interest		<u>63,943</u>	<u>(21,185)</u>
Net interest	8	7,285	6,240
		<u>71,228</u>	<u>(14,945)</u>
Profit/(loss) on ordinary activities before taxation		<u>71,228</u>	<u>(14,945)</u>
Tax charge on profit/(loss) on ordinary activities	10	(3,033)	(684)
		<u>68,195</u>	<u>(15,629)</u>
Profit/(loss) on ordinary activities after taxation		<u>68,195</u>	<u>(15,629)</u>
Equity minority interests		(515)	(398)
		<u>67,680</u>	<u>(16,027)</u>
Profit/(loss) for the financial year attributable to shareholders		<u>67,680</u>	<u>(16,027)</u>
Equity dividends paid and proposed	11	(1,477)	(3,210)
		<u>66,203</u>	<u>(19,237)</u>
Profit/(loss) retained for year		<u>66,203</u>	<u>(19,237)</u>
Statement of total recognised gains and losses			
Profit/(loss) for the financial year		67,680	(16,027)
Exchange differences		(4,227)	(659)
		<u>63,453</u>	<u>(16,686)</u>
Total gains/(losses) recognised for the financial year		<u>63,453</u>	<u>(16,686)</u>

There is no material difference between the reported profit/(loss) on ordinary activities before taxation and the equivalent historical cost amount.

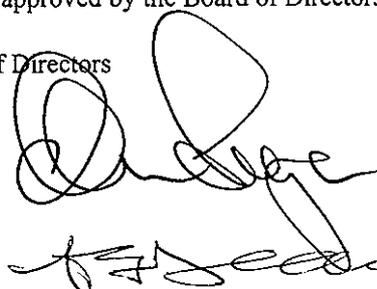
The notes on pages 11 to 21 form part of these financial statements.

Consolidated Balance Sheet at 30 June 1997
 Amslit Limited (formerly Amstrad plc)

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	12	12,581	26,471
Current assets			
Stocks	14	24,365	76,651
Debtors	15	31,870	47,143
Investments	16	10,356	25,401
Cash at bank and in hand	30	219,821	106,792
		<u>286,412</u>	<u>255,987</u>
Creditors: amounts falling due within one year	17	<u>(65,580)</u>	<u>(104,530)</u>
Net current assets		<u>220,832</u>	<u>151,457</u>
Total assets less current liabilities		<u>233,413</u>	<u>177,928</u>
Creditors: amounts falling due after more than one year	18	-	(8,197)
		<u>233,413</u>	<u>169,731</u>
Capital and reserves			
Called up share capital	19	29,557	29,219
Shares to be issued	20	2,794	5,468
Share premium account	21	20,592	18,055
Revaluation reserve	23	10	1,290
Other reserves	23	842	842
Profit and loss account	23	175,730	111,569
Equity shareholders' funds		<u>229,525</u>	<u>166,443</u>
Equity minority interests		3,888	3,288
		<u>233,413</u>	<u>169,731</u>

These financial statements were approved by the Board of Directors on 23 October 1997

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 11 to 21 form part of these financial statements.

Company Balance Sheet at 30 June 1997
Amslit Limited (formerly Amstrad plc)

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	12	6,755	10,194
Investments	13	76,406	97,624
		83,161	107,818
Current assets			
Debtors	15	5,303	54,674
Investments	16	10,356	25,401
Cash at bank and in hand		211,107	70,932
		226,766	151,007
Creditors: amounts falling due within one year	17	(36,272)	(37,964)
Net current assets		190,494	113,043
Total assets less current liabilities		273,655	220,861
Creditors: amounts falling due after more than one year	18	-	(8,197)
		273,655	212,664
Capital and reserves			
Called up share capital	19	29,557	29,219
Shares to be issued	20	2,794	5,468
Share premium account	21	20,592	18,055
Revaluation reserve	23	10	1,290
Other reserves	23	225	225
Profit and loss account	23	220,477	158,407
Equity shareholders' funds		273,655	212,664

These financial statements were approved by the Board of Directors on 23 October 1997.

Signed on behalf of the Board of Directors


 A.M. Sugar

 A.G. Dean

} Directors

The notes on pages 11 to 21 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 30 June 1997
Amslit Limited (formerly Amstrad plc)

	Note	1997		1996	
		£'000	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	28		32,881		(17,407)
Returns on investments and servicing of finance					
Interest received		8,401		7,020	
Interest paid		(1,116)		(651)	
			7,285		6,369
Taxation					
UK corporation tax paid		(767)		(2,156)	
Overseas tax recovered		70		89	
			(697)		(2,067)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(3,492)		(8,413)	
Sale of tangible fixed assets		3,896		2,641	
Sale/(purchase) of investments		2,883		(2,883)	
			3,287		(8,655)
Acquisitions and disposals					
Purchase of subsidiaries		(7,729)		(10,814)	
Sale of subsidiary	3	83,192		252	
			75,463		(10,562)
Dividends					
Equity dividends paid		(3,230)		(3,203)	
Minority interest dividend paid		(45)		-	
			(3,275)		(3,203)
Cash inflow/(outflow) before use of liquid resources and financing.			114,944		(35,525)
Financing					
Issue of shares		185		693	
Issue of shares to minority interest		111		-	
Decrease in investments backing loan notes	16	12,162		10,318	
Decrease in loan notes		(12,162)		(10,318)	
			296		693
Increase/(decrease) in cash	30		115,240		(34,832)

The notes on pages 11 to 21 form part of these financial statements.

Statement of Accounting Policies

Amslit Limited (formerly 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 rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates 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 profit or loss on ordinary activities for the year.

The financial statements of the foreign subsidiary companies are translated at the rates of exchange ruling at the year end. Differences on exchange arising from the translation of the opening net assets at the year end rates are taken directly to retained profits.

e) **Stocks and work in progress**

Stocks 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 or loss.

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

Amslit Limited (formerly Amstrad plc)

1. Analysis of turnover, operating profit/(loss) and net assets

An analysis of turnover, operating profit/(loss) and net assets is as follows:

	Turnover		Operating profit/(loss)		Net assets	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Viglen (Computers, peripherals & software)	100,877	105,952	10,117	10,455	18,239	20,383
Dancall (Mobile & cordless phones and pagers)	77,115	99,814	(2,747)	(6,913)	-	31,951
Betacom (Telecommunications & other consumer electronic products)	42,730	16,025	2,091	404	12,521	9,796
Other activities and central costs	69,132	121,023	(3,953)	(18,871)	202,653	107,601
Intra group turnover	(23,425)	(13,484)	-	-	-	-
	<u>266,429</u>	<u>329,330</u>	<u>5,508</u>	<u>(14,925)</u>	<u>233,413</u>	<u>169,731</u>

Turnover of other activities principally represents the Amstrad Consumer Electronics business which has been fundamentally restructured with the UK business transferred to Betacom plc and overseas businesses closed. The losses arising from the restructuring of Amstrad Consumer Electronics are disclosed in the profit and loss as restructuring costs. The other activities operating loss principally represents central costs.

An analysis of turnover, net assets and profit/(loss) before taxation by geographical segment is as follows:

	United Kingdom		Continental Europe		Group	
	1997 £ million	1996 £ million	1997 £ million	1996 £ million	1997 £ million	1996 £ million
Turnover						
Total sales	206.3	222.0	106.2	164.6	312.5	386.6
Inter-segment sales	(42.3)	(46.7)	(3.8)	(10.6)	(46.1)	(57.3)
Third party turnover	<u>164.0</u>	<u>175.3</u>	<u>102.4</u>	<u>154.0</u>	<u>266.4</u>	<u>329.3</u>
Net assets						
Equity minority interests	(3.9)	(3.3)	-	-	(3.9)	(3.3)
Equity shareholders' funds	<u>272.4</u>	<u>146.0</u>	<u>(42.9)</u>	<u>20.4</u>	<u>229.5</u>	<u>166.4</u>
Profit/(loss) before taxation						
Operating profit/(loss) plus interest	15.5	4.9	(2.7)	(13.5)	12.8	(8.6)
Profit on disposal of subsidiary	-	-	82.1	-	82.1	-
Restructuring costs	(13.5)	(3.0)	(7.9)	(3.7)	(21.4)	(6.7)
Costs re scheme of arrangement	(2.8)	-	-	-	(2.8)	-
Profit on disposal of fixed assets	0.5	-	-	0.4	0.5	0.4
	<u>(0.3)</u>	<u>1.9</u>	<u>71.5</u>	<u>(16.8)</u>	<u>71.2</u>	<u>(14.9)</u>

Turnover to third parties by destination was UK £160.8 million, (1996 - £191.5 million), Continental Europe £98.3 million (1996 - £132.3 million) and Rest of World £7.3 million (1996 - £5.5 million).

Third party turnover consists of sales invoiced to external customers during the year excluding value added tax and other sales taxes.

Notes to the Accounts (continued)
 Amslit Limited (formerly Amstrad plc)

2. Operating costs

	Continuing Operations	Discontinued Operations	1997 £'000	Continuing Operations	Discontinued Operations	1996 £'000
Other operating income	59	1,047	1,106	29	1,695	1,724
Change in stocks of finished goods and work in progress	229	17,479	17,708	(724)	18,853	18,129
Raw materials and consumables	(76,441)	(147,478)	(223,919)	(80,318)	(192,704)	(273,022)
Other external charges	(6,539)	(12,661)	(19,200)	(7,187)	(24,042)	(31,229)
Staff costs	(6,320)	(17,241)	(23,561)	(5,688)	(30,374)	(36,062)
Depreciation and amounts written off tangible fixed assets	(976)	(3,992)	(4,968)	(900)	(7,085)	(7,985)
Other operating charges	(772)	(7,315)	(8,087)	(409)	(11,038)	(11,447)
Unsuccessful merger costs	-	-	-	-	(315)	(315)
	<u>(90,760)</u>	<u>(170,161)</u>	<u>(260,921)</u>	<u>(95,197)</u>	<u>(245,010)</u>	<u>(340,207)</u>

3. Profit on disposal of subsidiary

On 30 April 1997 Dancall Telecom A/S was sold for £87.3 million resulting in an exceptional profit of £82.1 million.

4. Restructuring and closure costs

The restructuring costs mainly relate to losses arising from the fundamental restructuring and closing of Amstrad Consumer Electronics business. In the financial year ended 30 June 1996 rationalisation and restructuring costs of £10.7m were incurred in relation to this business of which £4.0m was included in the operating loss for that year and £6.7m was disclosed as a non-operating exceptional item. Similar non operational exceptional costs in the financial year ended 30 June 1997 were £21.4m.

5. Costs re scheme of arrangement

On 3 June 1997 it was announced that proposals would be put to shareholders for the reorganisation of the Amstrad Group by way of the acquisition of Amstrad by a new company Viglen Technology.

6. Directors' emoluments

	1997 £'000	1996 £'000
Non-executive directors - fees	60	54
Executive directors:		
Remuneration	640	765
Bonus payments	184	22
Compensation for loss of office	179	225
	<u>1,063</u>	<u>1,066</u>

The highest paid director's emoluments were £223,919 (1996 - £365,950) and included £149,077 (1996 - £225,000) as compensation for loss of office.

The highest paid director was the only director to exercise share options during the year.

Details of directors' interests in the company and share options granted and exercised are contained in the directors' report.

Notes to the Accounts (continued)
Amslit Limited (formerly Amstrad plc)

7. Staff costs

	1997 £'000	1996 £'000
Wages and salaries including directors' emoluments	25,149	33,779
Social security costs	1,652	2,283
	<u>26,801</u>	<u>36,062</u>
These costs were in respect of the average number of employees during the year:	<u>No.</u> 1,096	<u>No.</u> 1,350

8. Net interest

	1997 £'000	1996 £'000
Interest receivable and similar income	7,343	6,318
Interest on investments backing loan notes	1,058	1,194
Interest payable on loan notes	(1,058)	(1,194)
Interest payable on borrowings	(58)	(78)
	<u>7,285</u>	<u>6,240</u>

As part of the consideration for the purchase of Viglen Limited, a total of £10.4 million (1996 - £22.5 million) of loan notes have been issued. The loan notes are backed by a £10.4 million (1996 - £22.5 million) deposit with Lloyds Bank Plc and carry interest at a floating rate calculated by reference to the rate at which Amslit is able to earn interest on sterling deposits of an equivalent amount, taking into account the cost of the related bank guarantee.

9. Profit/(loss) on ordinary activities before taxation is after charging:

	1997 £'000	1996 £'000
Depreciation of fixed assets	6,133	7,985
Auditors' remuneration - audit fees	164	254
- non-audit fees	617	319
Hire of plant and machinery	153	176
Hire of other assets	856	1,173

10. Tax charge on profit/(loss) on ordinary activities

	1997 £'000	1996 £'000
United Kingdom corporation tax at 32.5% (1996-33%)	(3,752)	(1,037)
Prior year adjustment	719	353
	<u>(3,033)</u>	<u>(684)</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 1997.

The taxation charge is low in respect of profits for the year due to the availability of losses to set against taxable profits arising, for which no deferred tax asset had been recognised.

The proportion of the group tax charge relating to the exceptional items amounts to £2.3 million.

Notes to the Accounts (continued)
Amslit Limited (formerly Amstrad plc)

11. Equity dividends

The directors do not propose a final dividend (1996 - 1.5p per ordinary share). An interim dividend of 1.25p (1996 - 1.25p) per ordinary share was paid on 11 April 1997 makes a total distribution of 1.25p (1996 - 2.75p) per ordinary share in respect of the year ended 30 June 1997. This is equivalent to 1.56p (1996 - 3.44p) per ordinary share with the related tax credit at the current rate of 20/80ths (1996-20/80ths).

12. Tangible fixed assets

CONSOLIDATED

	Freehold land and buildings £'000	Plant, fixtures and fittings £'000	Total £'000
Cost or revaluation at 1 July 1996	13,548	30,178	43,726
Exchange differences	-	(2,623)	(2,623)
Additions	178	3,314	3,492
Disposal of subsidiary	-	(15,148)	(15,148)
Disposals	(2,412)	(3,290)	(5,702)
Revaluation	(675)	-	(675)
	<hr/>	<hr/>	<hr/>
Cost or revaluation at 30 June 1997	10,639	12,431	23,070
	<hr/>	<hr/>	<hr/>
Depreciation at 1 July 1996	1,343	15,912	17,255
Exchange differences	-	(1,299)	(1,299)
Charged in year	352	5,781	6,133
Disposal of subsidiary	-	(9,307)	(9,307)
On disposals	(96)	(2,197)	(2,293)
	<hr/>	<hr/>	<hr/>
Depreciation at 30 June 1997	1,599	8,890	10,489
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1997	9,040	3,541	12,581
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 30 June 1996	12,205	14,266	26,471
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
COMPANY			
Cost or revaluation at 1 July 1996	10,624	876	11,500
Disposals	(2,412)	(254)	(2,666)
Revaluation	(675)	-	(675)
	<hr/>	<hr/>	<hr/>
Cost or revaluation at 30 June 1997	7,537	622	8,159
	<hr/>	<hr/>	<hr/>
Depreciation at 1 July 1996	863	443	1,306
Charged in year	161	160	321
On disposals	(96)	(127)	(223)
	<hr/>	<hr/>	<hr/>
Depreciation at 30 June 1997	928	476	1,404
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1997	6,609	146	6,755
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 30 June 1996	9,761	433	10,194
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The revaluation was made by the directors at the year end in the light of current market conditions. The historical cost of freehold land and building is not materially different from that shown above.

Notes to the Accounts (continued)
Amslit Limited (formerly Amstrad plc)

13. Investments
COMPANY

	Subsidiary companies £'000
Cost at 1 July 1996	156,160
Additions	14,964
Disposals	(28,831)
Cost at 30 June 1997	<u>142,293</u>
Provisions at 1 July 1996	58,536
Provided in year	7,351
Provisions at 30 June 1997	<u>65,887</u>
Net book value at 30 June 1997	<u>76,406</u>
Net book value at 30 June 1996	<u>97,624</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	70%	United Kingdom
Dataflex Design Communications Limited	95%	United Kingdom
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 1997 was £14.6 million and its market value at that date was £36.4 million (1996 - £6.4 million). Subsequent to the year end Betacom plc was demerged as part of the scheme of arrangement. Dataflex Design Communications Limited was sold on 11 September 1997.

14. Stocks

	Consolidated		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Raw materials and consumables	8,075	29,347	-	-
Work in progress	1,744	3,209	-	-
Finished goods and goods for resale	14,546	44,095	-	-
	<u>24,365</u>	<u>76,651</u>	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)
Amslit Limited (formerly Amstrad plc)

15. Debtors	Consolidated		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Trade debtors and bills of exchange receivable	25,705	41,176	-	-
Amounts owed by group companies	-	-	3,498	53,607
Other debtors	2,431	2,962	1,110	979
Prepayments	1,293	1,068	-	88
Overseas taxation	744	818	-	-
UK corporation tax	1,697	1,119	-	-
UK group relief	-	-	695	-
	<u>31,870</u>	<u>47,143</u>	<u>5,303</u>	<u>54,674</u>

Overseas taxation and UK corporation tax includes amounts recoverable after more than one year of £0.2 million (1996 - £0.8 million) and £nil million (1996 - £0.5 million) respectively.

16. Investments

The investment is a £10.4 million deposit (1996 - £22.5 million) with Lloyds Bank Plc which backs the £10.4 million (1996 - £22.5 million) of loan notes held by the vendors of Viglen Limited which are included in creditors falling due within one year.

In 1996 investments included a net £2.9 million sterling cash deposit being the net of a £36.4 million sterling cash deposit held by Lloyds Bank Plc which backed a £33.5 million Danish kroner loan. The Danish kroner loan acted as a hedge against the Group's investment in Dancall Telecom A/S.

17. Creditors: amounts falling due within one year	Consolidated		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Loan notes	10,356	22,518	10,356	22,518
Deferred purchase consideration	7,250	7,266	7,250	7,266
Contingent consideration	372	463	372	463
Trade creditors	18,341	33,886	1,414	496
UK corporation tax	4,149	1,305	3,376	200
UK group relief	-	-	1,338	2,775
Other taxation and social security costs	1,923	3,524	119	68
Overseas taxation	-	4	-	-
Other creditors	6,747	12,362	218	953
Accruals and deferred income	8,974	14,769	5,517	1,472
Restructuring provision	4,916	6,680	3,760	-
Scheme of arrangement provision	2,552	-	2,552	-
Dividends proposed	-	1,753	-	1,753
	<u>65,580</u>	<u>104,530</u>	<u>36,272</u>	<u>37,964</u>

The loan notes, deferred purchase consideration and contingent consideration relate to the purchase of Viglen Limited as disclosed in note 29.

Notes to the Accounts (continued)

Amslit Limited (formerly Amstrad plc)

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

	Consolidated		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Deferred purchase consideration	-	7,266	-	7,266
Contingent consideration	-	931	-	931
	<u>-</u>	<u>8,197</u>	<u>-</u>	<u>8,197</u>

Deferred purchase consideration and contingent consideration relate to the purchase of Viglen Limited as disclosed in note 29.

19. Called up share capital

	1997		1996	
	Ordinary shares of 25p each Shares	£'000	Ordinary shares of 25p each 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 1996	116,876,892	29,219	116,402,892	29,101
Shares issued	1,351,527	338	474,000	118
At 30 June 1997	<u>118,228,419</u>	<u>29,557</u>	<u>116,876,892</u>	<u>29,219</u>

The company received £2.9 million from the issue of new shares.

20. Shares to be issued

Certain of the vendors of Viglen Limited have agreed to accept Amslit Limited 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. 1,252,797 ordinary shares (value £2.75 million) were issued in August 1997. In addition, 16,870 ordinary shares (value £0.04 million) were issued in July 1997 relating to share options exercised by an employee on 30 June 1997 giving a total of 1,269,667 shares (value £2.79 million) to be issued as at 30 June 1997.

21. Share premium account

	£'000
At 1 July 1996	18,055
Arising on issue of shares	2,537
At 30 June 1997	<u>20,592</u>

22. 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 accounts. The parent company's profit after taxation for the financial year amounted to £72.9 million (1996 - £4.5 million loss).

Notes to the Accounts (continued)
Amslit Limited (formerly Amstrad plc)

23. Reserves

	Consolidated			Company		
	Revaluation reserve £'000	Other reserve £'000	Profit and loss account £'000	Revaluation reserve £'000	Other reserve £'000	Profit and loss account £'000
At 1 July 1996	1,290	842	111,569	1,290	225	158,407
Profit retained for the year	-	-	66,203	-	-	71,385
Change in goodwill	-	-	540	-	-	-
Goodwill on disposal	-	-	1,040	-	-	-
Disposal of property	(605)	-	605	(605)	-	605
Revaluation	(675)	-	-	(675)	-	-
Exchange differences	-	-	(4,227)	-	-	(9,920)
At 30 June 1997	10	842	175,730	10	225	220,477

Goodwill written off in respect of current subsidiaries amounts to £51.6 million.

Change in goodwill represents the change in contingent consideration relating to the acquisition of Viglen Limited as disclosed in note 29.

The goodwill on disposal of Dancall amounting to £1.04 million has been charged to the profit and loss account in determining the profit on disposal of the subsidiary. This amount had been previously written off to reserves.

24. Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
Shareholders' funds at 1 July 1996	166,443	183,938
Profit/(Loss) for financial year	67,680	(16,027)
Dividends	(1,477)	(3,210)
Change in goodwill	540	1,612
Goodwill on disposal	1,040	348
Revaluation	(675)	-
Exchange differences	(4,227)	(659)
Shares issued in year	2,875	693
Shares to be issued	(2,674)	(252)
Shareholders' funds at 30 June 1997	229,525	166,443

25. Future capital expenditure of the group

	1997 £'000	1996 £'000
Contracted for but not provided in the financial statements	96	104

26. 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
11 November 1990	302.5p	1993-1997	-	12,000
13 March 1991	317.5p	1994-1998	33,000	47,000
16 March 1992	132.5p	1995-1999	-	13,000
7 December 1995	259.5p	1998-2005	42,938	538,894
27 February 1996	217.5p	1999-2006	65,399	97,721
11 October 1996	143.5p	1999-2006	750,000	1,192,800

Notes to the Accounts (continued)

Amslit Limited (formerly Amstrad plc)

27. Contingent liabilities

Amslit Limited has guaranteed the deferment of duty facility of a subsidiary of £0.7 million (1996 - £0.7 million).

As at 30 June 1997 the vendors of Viglen Limited had a charge over 17% (1996 - 33%) of the share capital of Viglen Limited. The charge is released in equal instalments on payment by Amslit of the deferred purchase consideration as disclosed in note 29.

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.

28. Net cash inflow/(outflow) from operating activities

	1997	1996
	£'000	£'000
Operating profit/(loss)	5,508	(14,925)
Restructuring and closure costs	(23,148)	-
Costs re scheme of arrangement	(259)	-
Depreciation	6,133	7,985
Profit on disposal of fixed assets	-	(103)
Exchange differences	4,750	(538)
Goodwill written back	-	348
Decrease/(increase) in stocks	31,698	(15,218)
Decrease/(increase) in debtors	2,886	(10,369)
Increase in creditors	5,313	15,413
	<u>32,881</u>	<u>(17,407)</u>

Dancall Telecom A/S sold during the year contributed £18.3 million to the group's net operating cash flows, received £0.1 million in respect of net returns on investments and servicing of finance and utilised £2.1 million for capital expenditure

29. Acquisition of subsidiaries

During the financial year the company paid £7.7 million (1996 - £10.8 million) to the vendors of Viglen Limited representing deferred consideration of £7.3 million, and £0.4 million being a share of the profits before tax of Viglen Limited in excess of £9.0 million for the year ended 30 June 1996. In addition the balance of the deferred consideration of £2.7 million was settled by the issue of 1,245,527 25p ordinary shares at a value of 219.5p per share (total value £2.7 million).

The balance sheet includes an accrual for the remaining £10.0 million (1996 - £20.0 million) of deferred purchase consideration of which £7.3 million (1996 - £7.3 million) is included in creditors falling due within one year, £nil million (1996 - £7.3 million) is included within creditors falling due after more than one year and £2.7 million (1996 - £5.4 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 £0.4 million (1996 - £1.4 million) for this contingent consideration, of which £0.4 million (1996 - £0.5 million) is included as a creditor falling due within one year and £nil million (1996 - £0.9 million) is shown as a creditor falling due after more than one year.

30. Reconciliation of net cash flow to movement in net cash

	£'000
Increase in cash in year	115,240
Cash at 1 July 1996	106,792
Exchange differences	(2,211)
Cash at 30 June 1997	<u>219,821</u>

Notes to the Accounts (continued)

Amslit Limited (formerly Amstrad plc)

A subsidiary company has 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.

31. Operating lease obligations

At 30 June 1997 the group had annual commitments under operating leases relating to land and buildings as follows:

	1997	1996
	£'000	£'000
Expiring within one year	3	6
Expiring between two and five years inclusive	420	815
Expiring in over five years	152	152
	<hr/>	<hr/>
	575	973
	<hr/>	<hr/>

32. Subsequent event

Subsequent to the year end the reorganisation of the Amstrad Group was completed. The company was acquired by a new company, Viglen Technology. Each Amstrad shareholder received for each Amstrad share, one Viglen Technology share, 163p nominal value of loan notes, an appropriate proportion of Amstrad's Betacom shares and a letter of entitlement to an appropriate proportion of litigation loan notes.