

# Amstrad<sup>®</sup>

*Always Innovating*

**Amstrad plc**  
Annual Report & Accounts 1998/99



## **Contents**

Directors and Advisers.....	1
Chairman's Statement.....	2
Corporate Governance.....	3
Report of the Directors.....	5
Report of the Board on Directors' Remuneration.....	7
Statement of Directors' Responsibilities.....	9
Auditors' Report.....	10
Consolidated Profit and Loss Account.....	11
Consolidated Balance Sheet.....	12
Company Balance Sheet.....	13
Consolidated Cash Flow Statement.....	14
Notes to the Financial Statements.....	15
Financial Record.....	26
Notice of Meeting.....	27
Form of Proxy.....	29

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**Directors and Advisers**


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<b>Directors</b>	A. M. Sugar DSc	Chairman
	R. J. Watkins	Chief Executive
	M. A. G. Bland BA ACA	Finance & Operations Director
	I. P. Saward BSc MBA	Engineering Director
	S. Sugar	Commercial Director
	J. E. Samson F.Inst.P,C.Phys*	Non-Executive Director
	M. R. Mountford MA	Non-Executive Director

\*Chairman of Remuneration and Audit Committees

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**Non-Executive Directors** Mr. J. E. Samson, aged 71, 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 of Hotpoint (1983 to 1989), a member of GEC Management Board (1984 to 1989) and Managing Director GEC Consumer Products Group (1985 to 1989). He was Group Managing Director of Yale and Valour plc between 1989 and 1991 and is a non executive director of a number of companies.

Ms. M. R. Mountford, aged 47, has many years' corporate law experience as a partner in the law firm, Herbert Smith from which she retired in March 1999.

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**Company Secretary** M. A. G. Bland BA ACA

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**Registered Office** Brentwood House, 169 Kings Road, Brentwood,  
Essex CM14 4EF

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**Telephone** 01277 228888  
**Facsimile** 01277 211350                      **Website** [www.amstrad.com](http://www.amstrad.com)

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**Stockbrokers** Beeson Gregory Limited,  
The Registry, Royal Mint Court, London EC3N 4EY

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

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**Solicitors** Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL

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**Bankers** Lloyds TSB Plc,  
St. Georges House, 6/8 Eastcheap, London EC3M 1LL

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**Registrar** Independent Registrars Group plc,  
Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

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**Company Number** Registered in England and Wales No. 955321

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## Chairman's Statement

### Financial review

Sales for the financial year ended 30 June 1999 were £94.1m, an increase of 77% on the previous year's sales of £53.3m, with a profit before tax of £8.4m (excluding the £0.7m profit arising from the disposal of the Betacom, Answercall and Cable & Wireless branded telephony business) compared with a loss before tax of £1.1m last year. Earnings per share of 7.5p compares with a loss per share of 1.3p last year.

The Board of Directors recommend an increased final dividend of 0.7p (1998 0.3p) per ordinary share to be paid on 3 December 1999 to shareholders on the register on 8 October 1999 which together with an interim dividend of 0.3p (1998 0.2p) per ordinary share paid on 7 April 1999 makes a total distribution of 1.0p (1998 0.5p) per ordinary share in respect of the year ended 30 June 1999.

Cash of £18.4m was £11.2m higher than last year and included the £4m of cash received from the disposal of the Betacom, Answercall and Cable & Wireless telephony business. The increasing proportion of business where product is shipped directly to customers has resulted in stocks at the year end of just £2.8m as compared to £4.3m last year.

### Operating Review

The significant improvement in the Company's results reflects the successful move away from lower margin products towards focusing on a core product range developed by the Company's in-house technical design team.

Amstrad is one of the four suppliers of digital satellite decoders (set top boxes) to BSkyB. Deliveries of set top boxes commenced in October 1998 following the launch of BSkyB's digital satellite service. The Company has recently received further orders from BSkyB which will contribute to the following as well as the current financial year

The Company continued to sell analogue satellite products in the first half of the financial year and cable TV products for the Australian market throughout the financial year.

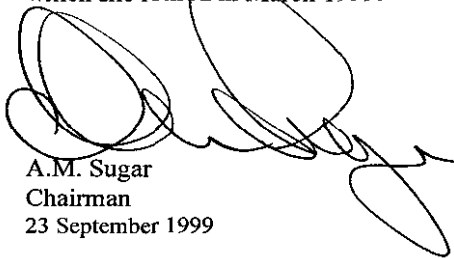
Sales of other consumer electronic products were strong and benefited from both the introduction of a number of new innovative products and also from a wider customer base including most of the national supermarket chains.

On 30 June 1999 the sale of the Betacom, Answercall and Cable & Wireless branded telephony business was completed for £4m in cash. The disposal of the business, which was engaged in the sourcing and supply of low cost corded and cordless telephones, answering machines and faxes, completed the plan of concentrating on higher technology innovative consumer electronic products. The Company is still active in the telecommunications market and in April launched a new smart telephone (the Phonebook) with further products due to be launched in the current financial year.

### Outlook

This financial year has seen the benefit of our strategy of focusing on higher technology in-house designed innovative products with a number of new products introduced. The full year benefit of these product introductions as well as the launch of other innovative products in the telecommunication and other consumer electronic markets lay a good foundation for the prospects of the current financial year.

Finally, I would like to take this opportunity to welcome Margaret Mountford to the Board as a non-executive director. Margaret Mountford, a lawyer, has many years corporate law experience as a partner in the law firm, Herbert Smith from which she retired in March 1999.



A.M. Sugar  
Chairman  
23 September 1999

## Corporate Governance

The Board is accountable to the Company's shareholders for good governance and this statement describes how the relevant principles of governance are applied to the Group. Other than the matters referred to below and in the Report of the Board on Directors Remuneration on page 7 relating to the number of non-executive directors, the Group has been in compliance throughout the year ended 30 June 1999 with the provisions set out in the Combined Code for Corporate Governance ("the Code") issued by the London Stock Exchange.

### The Board

During the year the Board consisted of five executive directors and one non-executive director. On 22 September 1999 a second non-executive director was appointed. Both non-executive directors are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgement. On 22 September 1999 the Board designated Mr. J. E. Samson as the senior non-executive director.

The Board is responsible to shareholders for the proper management of the Group. A statement on directors' responsibilities in relation to the financial statements is given on page 9. The Board meets regularly throughout the year, usually monthly, to set and monitor Group strategy, review the trading performance and consider any other matters reserved for the decision of the Board including the approval of budgets and major capital expenditure or divestment projects. The Board is supplied with timely information in a form and quality appropriate for it to discharge its duties.

The responsibilities of individual directors are set out on page 1. All directors are able to take independent professional advice in the furtherance of their duties.

### Appointments to the Board

The Board believes it is a small Board as defined by the Code and therefore does not need to establish a Nominations Committee. Appointment of executive and non-executive directors is undertaken by the Board as a whole. All directors are subject to election by shareholders at the first opportunity after their appointment and thereafter will seek re-election at least every three years. Under the Articles of Association of the Company all directors are required to retire by rotation, and one third of the Board is required to seek re-election each year. Non-executive directors are appointed for a fixed term of up to two years subject to their re-election by shareholders at the first Annual General Meeting after their appointment and subject to the Company's rules on retiring by rotation.

### Board Committees

As the Company, due to its size, only had one non-executive director during the year, it was unable to comply with the recommendations contained in the Code concerning the composition of the Board and its sub-committees. During the year the Board had two sub-committees which operate within defined terms of reference, an Audit Committee and a Remuneration Committee, both of which were chaired by the non-executive director. The Chief Executive was the other member of the Audit Committee and the Finance Director was the other member of the Remuneration Committee. Following the appointment of the second non-executive director both committees will in future consist solely of the non-executive directors as required by the Code. This will result in the Audit Committee consisting of two, not the recommended three non-executive directors. This is deemed appropriate given the size of the Company.

The Remuneration Committee is responsible, subject to review by the Board, for determining the remuneration of individual executive directors and assists in the formulation of the remuneration policy for senior management. The Report of the Board on Directors' Remuneration, which sets out remuneration policy and includes details of directors' remuneration and interests in options and shares, together with information on service contracts is set out on pages 7 and 8.

## **Corporate Governance (continued)**

The Audit Committee meets at least twice a year and monitors the Group's internal financial controls, accounting policies and financial reporting. It also reviews the annual accounts and half year statement before they are presented to the Board. The Committee keeps under review the appointment and remuneration of the external auditors, their cost effectiveness, independence and objectivity.

### **Internal Financial Control**

As permitted by the London Stock Exchange, the Group has complied with the Code provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

The directors have overall responsibility for maintaining sound systems of internal financial control. The Board has reviewed the effectiveness of the systems of internal financial control for the financial year and the period to the date of approval of the financial statements, although it should be understood that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. Key procedures that have been established and are designed to provide effective financial control include:-

- Management and organisation structure - the Company has a clear organisational structure with well defined lines of responsibility and appropriate levels of authority;
- Risk management - the Board is responsible for identifying and managing the major financial risks faced by the Group;
- Financial reporting - a comprehensive system of budgeting and forecasting with monthly monitoring and reporting to the Board;
- Financial control procedures - documentation of procedures and authority levels in the Company's financial control procedures manual which is regularly updated;
- Audit committee - meetings are held periodically with the external auditors to consider any reporting or control issues raised by the external auditors.

### **Going Concern**

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Relations with Shareholders**

Communications with shareholders, both private and institutional, are given a high priority and the Company responds quickly to all queries received. The Board uses the Annual General Meeting to communicate with all investors and individual shareholders are given the opportunity to question the Chairman.

## Report of the Directors

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 1999.

### Principal activities

The principal activities of the Group are the design, development, marketing and distribution of satellite, telecommunication and other consumer electronic products.

### Business review and future developments

A review of the Group's business and future developments is contained within the Chairman's statement on page 2.

### Results and dividends

The profit for the year on ordinary activities before tax was £9.1m including the £0.7m profit arising from the disposal of the Betacom, Answercall and Cable & Wireless branded telephony business (1998: £1.1m loss). Full details are set out in the consolidated profit and loss account on page 11 of these financial statements.

An interim dividend of 0.3p per share was paid to the shareholders on 7 April 1999 (1998: 0.2p). The directors recommend the payment of a final dividend of 0.7p per share (1998: 0.3p).

### 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 markets in which it operates. Details of research and development expenditure are set out in note 6 to the financial statements.

### Share capital

Details of issued share capital are given in note 19 to the financial statements.

### Directors and their interests

The present membership of the Board is set out on page 1. All of the directors served throughout the year with the exception of Ms. M. R. Mountford who was appointed a non-executive director on 22 September 1999. In accordance with the Articles of Association of the Company, Mr. A. M. Sugar and Mr. R. J. Watkins retire by rotation and offer themselves for re-election at the Annual General Meeting. As Ms. M. R. Mountford was appointed after the last Annual General Meeting she offers herself for election at the forthcoming Annual General Meeting.

Details of related party transactions and directors' interests in transactions during the year are included in note 27 to the financial statements. Directors' interests in Amstrad plc shares and share options are disclosed in the Report of the Board on Directors' Remuneration on pages 7 and 8.

### Substantial interests

The directors are not aware of any shareholders beneficially interested in three per cent, or more of the issued share capital of the Company at 30 June 1999 or at 16 September 1999 save as disclosed below:

	<i>30 June 1999</i>		<i>16 September 1999</i>	
	<i>Ordinary shares of 10p each</i>	<i>Percentage of share capital</i>	<i>Ordinary shares of 10p each</i>	<i>Percentage of share capital</i>
A. M. Sugar	23,026,313	29.4%	23,026,313	29.4%
Herald Investment Trust	3,918,389	5.0%	3,823,389	4.9%

**Political and charitable donations**

No charitable donations were made during the year (1998: £10,000). No political donations were made during the year (1998: £nil).

**Supplier payment policy**

It is the Group's normal practice to pay suppliers promptly according to the agreed terms and conditions provided that the suppliers meet their obligations. The number of days purchases outstanding at 30 June 1999 was 33 days (1998: 12 days).

**Year 2000**

The Company has a programme in place to identify the risks associated with the Year 2000 issue and assess the potential impact on the business. As part of this programme the Company is systematically reviewing all of its computer systems and product range. Progress is well advanced and hardware changes and system upgrades have been made where necessary. The costs of the Year 2000 programme have not had a material impact on the Company and have been charged to the profit and loss account as incurred.

**Auditors**

A resolution to reappoint Deloitte & Touche as auditors and to authorise the directors to agree their remuneration will be proposed at the Annual General Meeting.

By order of the Board



M. A. G. Bland  
Secretary

23 September 1999



## Report of the Board on Directors' Remuneration

### Composition of the Remuneration Committee

During the year the Remuneration Committee comprised the non-executive director and the Finance Director and was chaired by the non-executive director and as such the Company was unable to comply with the best practice provisions which require that Remuneration Committees consist exclusively of non-executive directors. On 22 September 1999 a second non-executive director was appointed to the Board and to the Remuneration Committee.

### Remuneration policy

In framing its remuneration policy, the Committee has given full consideration to Schedule A of the Combined Code annexed to the Listing Rules of the London Stock Exchange. The Committee ensured that the total remuneration packages of the executive directors, which are reviewed annually, are structured to attract, retain and motivate directors of the quality required to ensure the Company is managed successfully for the benefit of shareholders. Consideration is given to pay and employment conditions in other companies. The Company does not provide directors and staff with a pension scheme. No director is involved in deciding their own remuneration.

### Performance related bonuses

During the financial year an executive director and senior management bonus scheme was in place which was based on the achievement of budgeted levels of profitability.

### Directors' emoluments

The emoluments of the directors, excluding pension contributions and compensation for loss of office, for the year ended 30 June 1999 were as follows :-

	<i>Salary/ Fees £000</i>	<i>Bonus Payments £000</i>	<i>Benefits in kind £000</i>	<i>Other Payments £000</i>	<i>Total for year ended 30 June 1999 £000</i>	<i>Total for year ended 30 June 1998 £000</i>
A.M.Sugar (Chairman)	250	-	-	65	315	213
R.J. Watkins	210	34	17	-	261	191
M.A.G. Bland	83	25	12	-	120	89
I.P. Saward	103	31	11	-	145	18
S.Sugar	103	62	7	-	172	13
J.E Samson - non executive director	20	-	-	-	20	13
N.J.Becker *	-	-	-	-	-	32
J. Seidman *	-	-	-	-	-	12
A.I. Sethill *	-	-	-	-	-	38
P.R. Thorndyke *	-	-	-	-	-	56
	<u>769</u>	<u>152</u>	<u>47</u>	<u>65</u>	<u>1,033</u>	<u>675</u>

\* Former directors

All of the executive directors above were only executive directors for part of the previous financial year.

Compensation for directors' loss of office including benefits in kind amounted to £nil (1998: £208,812). The Company made no pension contributions to directors in the year (1998: £nil).

Mr. A. M. Sugar's services are provided to Amstrad plc by Amshold Limited, a company owned by Mr. A.M. Sugar, and are terminable on 12 months' notice. On 1 July 1998 the agreement between Amstrad plc and Amshold Limited was amended such that Amstrad plc no longer provides Mr. A. M. Sugar with secretarial support and transport facilities. To reflect this change the annual fee payable to Amshold Limited was increased and a one-off payment of £65,000, which is disclosed above, was paid to Amshold Limited to compensate Amshold Limited for the fact that the benefit arising from the provision of transport facilities was no longer available.

**Directors emoluments (continued)**

Messrs' R. J. Watkins, M. A. G. Bland, I.P. Saward and S. Sugar have continuous service contracts subject to 12 months' notice. Mr. J. E. Samson's contract expires on 25 October 2000. Other than Mr. A.M. Sugar's interests as disclosed in note 27 to the financial statements, the Company has not been informed of any contract during the period in which any director of the Company had a material interest.

**Directors and their shareholdings**

The directors of the Company as at 30 June 1999 had the following interests in the shares of Amstrad plc :

	<i>Ordinary shares of 10p each</i>	
	<i>30 June 1999</i>	<i>1 July 1998</i>
A.M. Sugar	23,026,313	23,026,313
R.J. Watkins	600,000	250,000
M.A.G. Bland	20,000	-
I.P. Saward	-	-
S. Sugar	540,170	353,170
J.E. Samson	3,074	3,074

**Directors' share options**

The Company believes that the holding of options by executive directors strengthens the link between their personal interests and those of shareholders.

All employees of the Company, including executive directors, are potential beneficiaries of the 1997 Performance Related Share Option Scheme. The granting of options is limited to a period of six weeks from the dealing day following the announcement by the Company of its annual or half-yearly results. The options are not transferable and no price is paid for the grant of an option.

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

	1 July 1998	Options granted during year	30 June 1999	Exercise price	Exercise Period From	To
R. J. Watkins	653,226	-	653,226	31.0p	19.12.00	19.12.04
	96,774	-	96,774	31.0p	19.12.00	19.12.07
M.A.G. Bland	403,226	-	403,226	31.0p	19.12.00	19.12.04
	96,774	-	96,774	31.0p	19.12.00	19.12.07
I.P. Saward	53,226	-	53,226	31.0p	19.12.00	19.12.04
	96,774	-	96,774	31.0p	19.12.00	19.12.07
	-	350,000	350,000	30.0p	05.10.01	05.10.05
S. Sugar	141,177	-	141,177	51.0p	14.03.00	14.03.04
	58,823	-	58,823	51.0p	14.03.00	14.03.07
	100,000	-	100,000	31.0p	19.12.00	19.12.04
	-	300,000	300,000	30.0p	05.10.01	05.10.05

The mid market price of the Company's shares as at 30 June 1999 was 64.5p (1998: 42p). The highest mid-market price during the year was 64.5p and the lowest 27.5p.

## Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the Company and the Group as at the end of the financial year and of the profit or loss of the Company and the Group for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

## **Auditors' Report to the Members of Amstrad plc**

We have audited the financial statements on pages 11 to 25, which have been prepared under the accounting policies set out on page 15.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 9 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the statement on pages 3 and 4 reflects the compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the Group's internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 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 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche  
Chartered Accountants  
and Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR

23 September 1999

## Consolidated Profit and Loss Account

	Note	Year ended 30 June 1999		Year ended 30 June 1998	
		£000	£000	£000	£000
Turnover	2		94,117		53,289
Cost of sales			(78,265)		(46,010)
Gross profit			15,852		7,279
Distribution costs			(2,501)		(2,690)
Administrative expenses (including exceptional costs of £888,000 in 1998)			(5,298)		(5,638)
Net operating expenses			(7,799)		(8,328)
Operating profit/(loss) before exceptional items		8,053		(161)	
Exceptional operating costs	3	-		(888)	
Operating profit/(loss)			8,053		(1,049)
Exceptional item - Profit on disposal of business in continuing activities	4		729		-
Net interest receivable/(payable)	5		300		(87)
Profit/(Loss) on ordinary activities before taxation	6		9,082		(1,136)
Tax (charge)/credit on profit/(loss) on ordinary activities	9		(3,236)		112
Profit/(loss) on ordinary activities after taxation			5,846		(1,024)
Dividends payable	10		(781)		(387)
Retained profit/(loss) for the financial year	20		5,065		(1,411)
Earnings/(Loss) per share	12		7.5p		(1.3p)
Diluted earnings/(loss) per share	12		7.4p		(1.3p)
Equity dividends per share	10		1.0p		0.5p

There are no recognised gains or losses for the current or preceding year other than those included within the profit and loss account. The turnover and operating profit/(loss) all relate to continuing operations.

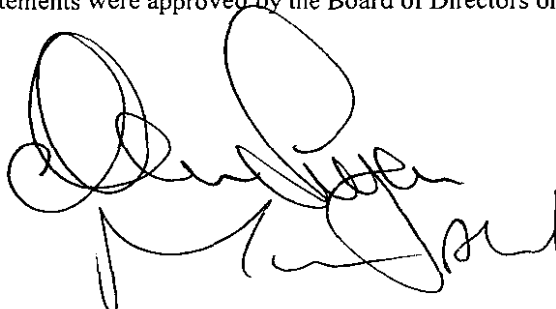
## Consolidated Balance Sheet

	<i>Note</i>	<i>30 June</i> <i>1999</i> <i>£000</i>	<i>30 June</i> <i>1998</i> <i>£000</i>
<b>Fixed assets</b>			
Tangible assets	13	677	790
<b>Current assets</b>			
Stocks	15	2,807	4,263
Debtors	16	18,076	4,453
Cash at bank and in hand		18,370	7,182
		39,253	15,898
<b>Creditors: amounts falling due within one year</b>	17	(17,734)	(3,934)
<b>Net current assets</b>		21,519	11,964
<b>Total assets less current liabilities</b>		22,196	12,754
<b>Provisions for liabilities and charges</b>	18	(3,971)	(882)
<b>Total net assets</b>		18,225	11,872
Called up share capital	19	7,825	7,767
Share premium account	20	5,750	5,718
Special capital reserve	20	1,198	-
Profit and loss account	20	3,452	(1,613)
<b>Equity shareholders' funds</b>	21	18,225	11,872

The financial statements were approved by the Board of Directors on 23 September 1999.

A. M. Sugar

M.A.G. Bland  
Directors



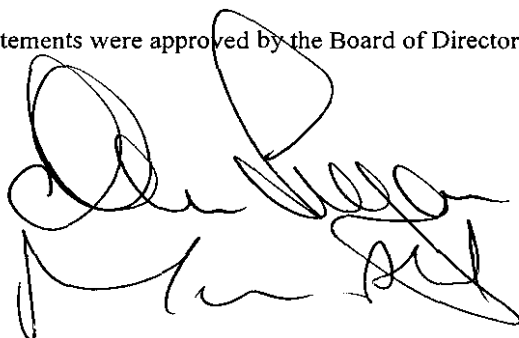
## Company Balance Sheet

	<i>Note</i>	<i>30 June 1999 £000</i>	<i>30 June 1998 £000</i>
<b>Fixed assets</b>			
Tangible assets	13	653	766
Investments	14	6,505	6,500
		<hr/>	<hr/>
		7,158	7,266
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	15	124	2,108
Debtors	16	22,300	7,430
Cash at bank and in hand		18,359	7,179
		<hr/>	<hr/>
		40,783	16,717
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	17	(26,462)	(7,280)
		<hr/>	<hr/>
<b>Net current assets</b>		14,321	9,437
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		21,479	16,703
<b>Provisions for liabilities and charges</b>	18	(3,971)	(882)
		<hr/>	<hr/>
<b>Total net assets</b>		17,508	15,821
		<hr/> <hr/>	<hr/> <hr/>
Called up share capital	19	7,825	7,767
Share premium account	20	5,750	5,718
Special capital reserve	20	1,198	1,198
Profit and loss account	20	2,735	1,138
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		17,508	15,821
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Directors on 23 September 1999.

A.M. Sugar

M.A.G. Bland  
*Directors*



**Consolidated Cash Flow Statement**

	<i>Note</i>	<i>Year ended 30 June 1999 £000</i>	<i>Year ended 30 June 1998 £000</i>
<b>Net cash inflow from operating activities</b>	22	8,452	7,941
<b>Returns on investments and servicing of finance</b>	23	287	(87)
<b>UK corporation tax paid</b>		(97)	(99)
<b>Overseas tax paid</b>		(2)	-
<b>Capital expenditure</b>	23	(1,072)	(481)
<b>Equity dividends paid</b>		(466)	(384)
<b>Disposal of business</b>	24	3,996	-
		<u>          </u>	<u>          </u>
<b>Cash inflow before use of liquid resources and financing</b>		11,098	6,890
<b>Financing</b>			
Issue of shares		90	118
		<u>          </u>	<u>          </u>
<b>Increase in cash</b>		<u>11,188</u>	<u>7,008</u>
<b>Reconciliation of net cash flow to movement in net cash</b>			
Increase in cash in the year		11,188	7,008
Cash at 1 July		7,182	174
		<u>          </u>	<u>          </u>
<b>Cash at 30 June</b>		<u>18,370</u>	<u>7,182</u>



## Notes to the Financial Statements

### 1. Accounting policies

- (a) The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.
- (b) Turnover comprises invoiced sales and services less returns and VAT.
- (c) (i) Fixed assets are capitalised at cost; and  
(ii) Tangible fixed assets are depreciated over their estimated useful lives as follows
- |   | <i>Rate p.a.</i> | <i>Method</i> |
|---|------------------|---------------|
| Tooling   | 50%              | Straight line |
| Fixtures, fittings, office equipment and motor vehicles | 25%              | Straight line |
- (d) Investments are included at cost less amounts written off to reflect an impairment in value.
- (e) Stocks are stated at the lower of cost and net realisable value.
- (f) The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided where it is considered probable that a liability will crystallise.
- (g) The results for the Group comprise the results of the Company and its subsidiary undertakings up to 30 June 1999. Goodwill arising on consolidation in prior years, which was the excess of the fair value of the consideration paid over the fair value of the net assets acquired, was written off directly to reserves. Assets of companies acquired are incorporated in the consolidated financial statements at their fair value to the Group. It is sometimes necessary to estimate a fair value and where it is judged that a fair value is no longer reasonable an appropriate adjustment is made to goodwill in the following financial year. On disposal of a business the goodwill previously written off directly to reserves is incorporated in the profit or loss on disposal of the business.
- (h) Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction except where a transaction is covered by a related or matching forward contract in which case the rate of exchange specified in the contract is used. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, or where appropriate the rate of exchange specified in a related or forward contract, and the gains and losses on translation are included in the profit and loss account.
- (i) Development costs, both internal and external, associated with the Company's products, are written off to the profit and loss account as they are incurred.
- (j) Provision is made for costs relating to anticipated sales returns of products within their warranty period.

**2. Turnover**

All turnover derives from one class of business in the United Kingdom. An analysis of turnover by geographical destination is as follows :

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
United Kingdom	87,937	46,546
Australia	4,786	6,472
Other European Countries	<u>1,394</u>	<u>271</u>
	<u>94,117</u>	<u>53,289</u>

**3. Exceptional operating costs**

Exceptional costs of £888,000 in 1998 arose from the restructuring of the Company during the previous year. The restructuring involved the relocation of the Company, the closure of the Enfield site and management changes.

**4. Exceptional item - Profit on disposal of business in continuing activities**

On 10 June 1999 the Company announced the sale of its Betacom, Answercall and Cable & Wireless branded telephony business to Alba plc for £4 million in cash. Completion took place on 30 June 1999 and has resulted in a profit of £729,000 after writing back £1,198,000 of goodwill previously written off directly to reserves relating to the Answercall business. Information on the assets sold is set out in note 24.

**5. Net interest receivable/(payable)**

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
Interest receivable	325	164
Interest payable on bank loans and overdrafts	(25)	(226)
Interest payable to group companies	-	(25)
	<u>300</u>	<u>(87)</u>

**6. Profit/(Loss) on ordinary activities before taxation**

Profit/(Loss) on ordinary activities before taxation is stated after charging the following :-

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
Depreciation of tangible fixed assets	1,102	468
Loss on sale of tangible fixed assets	5	53
Research and development expenditure	1,760	817
Operating leases: land and buildings	144	198
Auditors' remuneration and expenses - audit work	40	37
Auditors' remuneration and expenses - other	62	24
Directors' emoluments	1,033	675

**7. Emoluments of directors**

Details of directors' emoluments and directors' share options are included in the Report of the Board on Directors' Remuneration on pages 7 and 8.

**8. Staff numbers and costs**

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows :-

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>No.</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>No.</i>
Administration	30	38
Sales and marketing	8	13
Warehousing, service and distribution	6	20
Technical and product management	44	41
	<u>88</u>	<u>112</u>

The aggregate payroll costs of these persons were as follows :-

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
Wages and salaries, including bonuses	3,033	3,034
Social security costs	275	284
	<u>3,308</u>	<u>3,318</u>

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

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
Tax based on the profit/(loss) on ordinary activities for the year:		
UK corporation tax at 30.75% (1998: 31%)	(3,261)	-
Prior year adjustment	32	114
Overseas tax	(7)	(2)
	<u>(3,236)</u>	<u>112</u>

The UK tax charge was high due to timing differences not reflected through deferred tax and included a taxation charge of £247,000 relating to the exceptional profit arising from the sale of the Betacom, Answercall and Cable & Wireless branded telephony business.

**10. Dividends**

The directors propose a final dividend of 0.7p (1998: 0.3p) per share, which together with the interim dividend of 0.3p (1998: 0.2p) per ordinary share paid on 7 April 1999 makes a total distribution of 1.0p (1998: 0.5p) per ordinary share in respect of the year ended 30 June 1999.

**11. Profit/(Loss) for the year**

In accordance with the exemption allowed by Section 230(4) of the Companies Act 1985, the Company has not presented its own profit and loss account. The parent company's profit after taxation for the financial year amounted to £2.4 million (1998: £1.5 million loss).

**12. Earnings/(Loss) per share and diluted earnings/(loss) per share**

The earnings/(loss) per share is based on the profit for the year after taxation of £5,846,000 (1998: £1,024,000 loss) and on the average number of shares in issue during the year of 77,890,618 (1998: 77,118,991). Diluted earnings/(loss) per share is based on the same earnings figure as above and 79,473,995 (1998: 76,969,817) ordinary shares allowing for the potential exercise of outstanding share purchase options exercisable at a price below the average fair value during the year.

## 13. Tangible fixed assets

	<i>Short leasehold property and improvements £000</i>	<i>Motor vehicles £000</i>	<i>Fixtures fittings tools and equipment £000</i>	<i>Total £000</i>
<b>Group</b>				
<i>Cost</i>				
At 1 July 1998	269	413	792	1,474
Additions	-	181	975	1,156
Disposals	(269)	(178)	(3)	(450)
Disposal of business	-	(84)	(77)	(161)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	-	332	1,687	2,019
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>				
At 1 July 1998	269	135	280	684
Charge for the year	-	102	1,000	1,102
Disposals	(269)	(91)	(1)	(361)
Disposal of business	-	(25)	(58)	(83)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	-	121	1,221	1,342
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 30 June 1999	-	211	466	677
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 1998	-	278	512	790
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>				
<i>Cost</i>				
At 1 July 1998	269	413	768	1,450
Additions	-	181	967	1,148
Disposals	(269)	(178)	(3)	(450)
Disposal of business	-	(84)	(77)	(161)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	-	332	1,655	1,987
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>				
At 1 July 1998	269	135	280	684
Charge for the year	-	102	992	1,094
Disposals	(269)	(91)	(1)	(361)
Disposal of business	-	(25)	(58)	(83)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	-	121	1,213	1,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 30 June 1999	-	211	442	653
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 1998	-	278	488	766
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**14. Investments****Company**

Investments of the Company at 30 June 1999 comprise shares in subsidiary undertakings at cost of £7,117,000 (1998: £7,112,000) less provisions of £612,000 (1998: £612,000). During the financial year the trade of three subsidiary undertakings, Answercall Limited, Betacom Products Limited and Betacom Consumer Electronics Limited was conducted by Amstrad plc which is the appointed agent of these subsidiary undertakings. The following information relates to the Group's principal undertakings which are all engaged in the Group's principal activity.

Name of Subsidiary	Percentage of allotted equity owned	Country of Incorporation
Betacom Products Limited	100%	United Kingdom
Betacom Consumer Electronics Limited	100%	United Kingdom
Amstrad International Limited	100%	Hong Kong

**15. Stocks**

	<i>Group</i>		<i>Company</i>	
	<i>30 June 1999</i>	<i>30 June 1998</i>	<i>30 June 1999</i>	<i>30 June 1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	919	42	-	-
Finished goods and goods for resale	1,888	4,221	124	2,108
	<u>2,807</u>	<u>4,263</u>	<u>124</u>	<u>2,108</u>

**16. Debtors**

	<i>Group</i>		<i>Company</i>	
	<i>30 June 1999</i>	<i>30 June 1998</i>	<i>30 June 1999</i>	<i>30 June 1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	17,350	3,498	17,227	3,498
Amounts due from subsidiary undertakings	-	-	4,334	2,308
Other debtors	486	247	486	247
Prepayments and accrued income	206	591	199	587
Corporation tax recoverable	34	117	54	96
Group relief receivable	-	-	-	694
	<u>18,076</u>	<u>4,453</u>	<u>22,300</u>	<u>7,430</u>

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

	<i>Group</i>		<i>Company</i>	
	<i>30 June 1999 £000</i>	<i>30 June 1998 £000</i>	<i>30 June 1999 £000</i>	<i>30 June 1998 £000</i>
Trade creditors	8,149	2,296	8,047	2,296
Amounts owed to subsidiary undertakings	-	-	11,782	3,377
Corporation tax payable	3,166	117	242	96
Overseas tax payable	7	2	-	-
Other taxes and social security	2,487	89	2,486	88
Accruals and deferred income	3,377	1,197	3,357	1,190
Dividend payable	548	233	548	233
	<u>17,734</u>	<u>3,934</u>	<u>26,462</u>	<u>7,280</u>

**18. Provisions for liabilities and charges**

Provisions, which are in respect of goods returned under warranty and other claims, were as follows for the Group and Company:-

	<i>Warranty £000</i>	<i>Other Claims £000</i>	<i>Total £000</i>
At 1 July 1998	882	-	882
Provided in the year	5,104	673	5,777
Released in the year	(363)	-	(363)
Utilised in the year	(2,109)	-	(2,109)
Disposal of business	(216)	-	(216)
	<u>3,298</u>	<u>673</u>	<u>3,971</u>
At 30 June 1999	<u>3,298</u>	<u>673</u>	<u>3,971</u>

The amount of potential deferred tax assets not recognised for the Group and Company are £542,000 (1998: £nil), split between fixed asset timing differences (£235,000) and other short term timing differences (£307,000).

**19. Called up share capital**

	<i>30 June 1999</i>		<i>30 June 1998</i>	
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
<i>Authorised:</i>				
Ordinary shares of 10p each	88,122,793	8,812	88,122,793	8,812
<i>Allotted issued and fully paid:</i>				
Ordinary shares of 10p each	78,249,659	7,825	77,669,659	7,767

During the year 580,000 shares were issued in respect of share options exercised for a total consideration of £89,900.

### 19. Called up share capital (continued)

The following options to subscribe for shares have been granted and were outstanding at 30 June 1999 under the Company's 1988 Employee Share Option Scheme and the Company's 1997 Performance Related Share Option Scheme:-

<i>Date of grant</i>	<i>Number of Shares</i>	<i>Option price</i>	<i>Exercisable from</i>	<i>Exercisable to</i>
14 March, 1994	60,000	15.0p	14.03.97	30.06.00
14 March, 1994	50,000	15.0p	14.03.97	14.03.04
20 March, 1996	250,000	11.5p	01.04.98	20.09.99
20 March, 1996	150,000	11.5p	20.03.99	30.06.00
20 March, 1996	50,000	11.5p	20.03.99	20.03.06
14 March, 1997	162,354	51.0p	14.03.00	14.03.04
14 March, 1997	117,646	51.0p	14.03.00	14.03.07
14 March, 1997	200,000	51.0p	23.09.99	14.09.00
19 December, 1997	40,000	31.0p	07.02.98	19.06.01
19 December, 1997	30,000	31.0p	01.07.98	19.06.01
19 December, 1997	20,000	31.0p	01.10.98	19.06.01
19 December, 1997	20,000	31.0p	23.09.99	19.06.01
19 December, 1997	1,409,678	31.0p	19.12.00	19.12.04
19 December, 1997	930,322	31.0p	19.12.00	19.12.07
05 October, 1998	80,000	30.0p	23.09.99	05.04.02
05 October, 1998	650,000	30.0p	05.10.01	05.10.05
05 October, 1998	330,000	30.0p	05.10.01	05.10.08

Details of directors' share options are disclosed in the Report of the Board on Directors' Remuneration on pages 7 and 8.

### 20 Share premium and reserves

	<i>Share premium account</i> £000	<i>Special capital reserve</i> £000	<i>Profit and loss account</i> £000	<i>Total</i> £000
<b>Group</b>				
At 1 July 1998	5,718	-	(1,613)	4,105
Premium on shares issued during the year	32	-	-	32
Goodwill written back on disposal	-	1,198	-	1,198
Profit retained for the financial year	-	-	5,065	5,065
	<u>5,750</u>	<u>1,198</u>	<u>3,452</u>	<u>10,400</u>
At 30 June 1999				
Accumulated goodwill written off against reserves	-	-	4,353	4,353
	<u>-</u>	<u>-</u>	<u>4,353</u>	<u>4,353</u>
<b>Company</b>				
At 1 July 1998	5,718	1,198	1,138	8,054
Premium on shares issued during the year	32	-	-	32
Profit retained for the financial year	-	-	1,597	1,597
	<u>5,750</u>	<u>1,198</u>	<u>2,735</u>	<u>9,683</u>
At 30 June 1999				

**21. Reconciliation of movements in shareholders' funds**

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
At 1 July	11,872	12,521
Shares issued during the year	90	118
Goodwill adjustment	-	644
Goodwill written back on disposal	1,198	-
Profit/(Loss) for the year	5,846	(1,024)
Dividends	(781)	(387)
At 30 June	<u>18,225</u>	<u>11,872</u>

**22. Net cash inflow from operating activities**

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
Operating profit/(loss)	8,053	(1,049)
Depreciation	1,102	468
Loss on sale of tangible fixed assets	5	53
(Increase)/Decrease in stocks	(647)	9,344
(Increase)/Decrease in debtors	(13,689)	6,170
Increase/(Decrease) in creditors	10,323	(6,251)
Increase/(Decrease) in provisions	3,305	(794)
Net cash inflow from operating activities	<u>8,452</u>	<u>7,941</u>

**23. Analysis of cash flows for headings netted in cash flow statement**

	<i>Year ended</i> <i>30 June</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>30 June</i> <i>1998</i> <i>£000</i>
<b>a. Returns on investments and servicing of finance</b>		
Interest received	312	164
Interest paid	(25)	(251)
Net cash inflow/(outflow) for returns on investments and servicing of finance	<u>287</u>	<u>(87)</u>
<b>b. Capital expenditure</b>		
Purchase of tangible fixed assets	(1,156)	(685)
Sale of tangible fixed assets	84	204
Net cash outflow from capital expenditure	<u>(1,072)</u>	<u>(481)</u>



**24. Analysis of disposals**

Net assets disposed of:	£000
Tangible fixed assets	78
Stocks	2,103
Creditors	(4)
Provisions	(216)
Net assets sold	<u>1,961</u>
Initial consideration	4,000
Consideration adjustment	(53)
	<u>3,947</u>
Profit before expenses	1,986
Expenses	(59)
Profit after expenses	1,927
Goodwill written back	(1,198)
Profit on disposal of business in continuing activities	<u><u>729</u></u>

The sale of the Betacom, Answercall and Cable & Wireless branded telephony business was completed on 30 June 1999 for £4,000,000 in cash. In June £4,000 of redundancy costs were paid resulting in a net cash inflow of £3,996,000. The final consideration was subject to minor adjustments which have been agreed in respect of the net asset value of the business at 30 June 1999.

In the year ended 30 June 1999 the Betacom, Answercall and Cable & Wireless branded telephony business recorded sales of £11.5m and made a contribution of £1.2m to gross profit. The cash flow associated with the business prior to disposal has not been separately disclosed as with the exception of stocks, working capital was managed on a unified basis within the Group's existing operations.

**25. Financial instruments**

The Group's financial instruments, other than derivatives, comprise cash and liquid resources, documentary letters of credit as well as items such as trade debtors and trade creditors that arise directly from the Group's operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group also enters into derivative transactions (forward foreign currency contracts). The purpose of such transactions is to manage the currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since 1 July 1998.

**(a) Interest rate risk**

The Group finances its operations through retained profits and the use of documentary letters of credit. Cash is placed on deposit for up to three months at fixed rates of interest.

## 25. Financial instruments (continued)

### (b) Liquidity risk

The Group's policy throughout the year ended 30 June 1999 has been to ensure that it has adequate liquidity by the use of documentary letters of credit and the Group's cash resources.

### (c) Foreign currency risk

Substantially all of the Group's purchases are in currencies different from the selling currency. It is the Group's policy to eliminate this exposure by purchasing the currency forward at the time an order is placed with a supplier.

The Group has one small overseas company, operating in Hong Kong which has no material impact, through exchange rate movements, on the Group's sterling balance sheet.

The interest rate and currency exposure of the Group's cash deposits was as follows:-

	<i>30 June</i> 1999 £000	<i>30 June</i> 1998 £000
Sterling	14,874	4,676
US Dollar	3,414	2,506
Deutschmark	<u>82</u>	<u>-</u>
	<u>18,370</u>	<u>7,182</u>

The cash deposits which all have a maturity date of less than a year were all at fixed rates of interest.

The Group's other foreign currency denominated assets and liabilities are not significant and there is no material difference between the book values and fair values of the Group's financial assets and liabilities. As referred to above the Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on purchases denominated in foreign currencies. As at 30 June 1999 there was no material difference between the exchange rates in these forward contracts and the closing exchange rates on 30 June 1999.

## 26. Financial commitments

### (a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (1998: £nil). There were no other contracted commitments, other than those provided in the financial statements (1998: £nil).

### (b) Operating lease commitments

At 30 June 1999 the Group had annual commitments under operating leases relating to land and buildings as follows :-

	<i>Year ended</i> <i>30 June</i> 1999 £000	<i>Year ended</i> <i>30 June</i> 1998 £000
Expiring within one year	131	-
Expiring between one and two years inclusive	<u>-</u>	<u>136</u>

**27. Related party transactions**

Amstrad plc rents office space in Brentwood from Amsprop Trading Limited ("Amsprop"), a company controlled by Mr. A. M. Sugar. During the year £144,000 was paid to Amsprop. The rental agreements expire on 3 June 2000.

During the year the Company charged Viglen Technology plc, a company controlled by Mr. A. M. Sugar, £22,000 for the services of Amstrad plc staff. During the year the Company purchased from Viglen Technology plc computer equipment with a total value of £21,000.

During the year £12,000 was paid to Amsail Limited, a company controlled by Mr. A. M. Sugar, for the hire of aircraft used by Amstrad staff for business trips.

By virtue of Mr. A. M. Sugar's interest of 40.1% of the ordinary shares in Tottenham Hotspur plc ("Tottenham") he had an interest in a three year contract dated 18 June 1996 between Tottenham and Amstrad plc for the purchase from Tottenham of advertising. In the year to 30 June 1999 £22,000 was paid under the contract and an additional £6,440 was paid for tickets and hospitality. Mr. A. M. Sugar also has an interest in a new three year contract dated 18 June 1999 between Tottenham and Amstrad plc for the purchase from Tottenham of advertising totalling £86,060 and covering the next three football seasons.

As disclosed in the Report of the Board on Directors' Remuneration Mr. A. M. Sugar's services are provided to Amstrad plc by Amshold Limited, a company owned by Mr. A. M. Sugar. On 1 July 1998 the agreement was amended such that Amstrad plc no longer provides Mr. A. M. Sugar with secretarial support and transport facilities. The two cars, used by Mr. A. M. Sugar, were sold to Amshold Limited at their market value of £65,000 and a similar sum was paid to Amshold Limited to compensate Amshold Limited for the fact that the benefit arising from the provision of transport facilities was no longer available.

**Financial record**

	<i>Year ended 30 June 1999 £000</i>	<i>Year ended 30 June 1998 £000</i>	<i>Year ended 30 June 1997 £000</i>	<i>Year ended 30 June 1996 £000</i>	<i>Year ended 30 June 1995 £000</i>
<b>Turnover</b>	94,117	53,289	43,075	16,025	16,334
Gross profit	15,852	7,279	7,233	2,689	2,652
Net operating expenses	(7,799)	(7,440)	(5,385)	(2,285)	(2,415)
Operating profit/(loss) before exceptional items	8,053	(161)	1,848	404	237
Exceptional (costs)/income	-	(888)	-	-	64
Operating profit/(loss)	8,053	(1,049)	1,848	404	301
Profit on disposal of business in continuing activities	729	-	-	-	-
Net interest receivable/(payable)	300	(87)	(186)	202	132
Profit/(Loss) before taxation	9,082	(1,136)	1,662	606	433
Taxation	(3,236)	112	(225)	(31)	(35)
Profit/(Loss) after taxation	5,846	(1,024)	1,437	575	398
Dividends	(781)	(387)	(365)	-	-
Retained profit/(loss) for the year	5,065	(1,411)	1,072	575	398
Earnings/(Loss) per share	7.5p	(1.33p)	2.12p	0.86p	0.60p
Dividends per share	1.0p	0.5p	0.5p	-	-
<b>Capital employed</b>					
Fixed assets	677	790	830	549	847
Net operating assets	17,548	11,082	11,691	9,247	8,374
Net assets	18,225	11,872	12,521	9,796	9,221
<b>Financed by</b>					
Share capital	7,825	7,767	7,687	6,660	6,660
Reserves and share premium	10,400	4,105	4,834	3,136	2,561
Equity shareholders' funds	18,225	11,872	12,521	9,796	9,221

**Notice of meeting**

NOTICE IS HEREBY GIVEN that the eleventh Annual General Meeting of the Company will be held at the Marygreen Manor Hotel, London Road, Brentwood, Essex CM14 4NR on 24 November 1999 at 11.00 a.m. for the transaction of the following business :

**Ordinary business**

1. To receive and adopt the financial statements of the Company for the year ended 30 June 1999 and the reports of the directors and auditors thereon.
2. To declare a final dividend of 0.7p per ordinary share.
3. That Mr. A. M. Sugar, who retires by rotation, be re-elected as a director (Note 1).
4. That Mr. R. J. Watkins, who retires by rotation, be re-elected as a director (Note 2).
5. That Ms. M. R. Mountford, who has been appointed to the Board since the last Annual General Meeting, be elected as a director (Note 3).
6. To re-appoint Deloitte & Touche as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration.

**Special business**

To consider and, if thought fit, pass the following resolutions of which resolution number 7 will be proposed as an ordinary resolution and resolution number 8 will be proposed as a special resolution:

7. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise the power of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £987,313 to such persons and at such times and on and subject to such terms as the directors shall determine provided that this authority shall unless renewed expire on the conclusion of the next Annual General Meeting of the Company after passing of this resolution, save that the Company may before such expiry make any 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 offer or agreement as if the authority conferred hereby had not expired.
8. That subject to the passing of resolution 7 set out in the notice convening the meeting, the directors be and they are hereby empowered 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 referred to in resolution 7 of the notice of this Meeting as if section 89(1) of the Act did not apply to such allotment provided that this power shall be limited:
  - (a) to the allotment of equity securities in connection with an invitation or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or requirements of any recognised regulatory body in any territory; and
  - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value not exceeding £391,248.

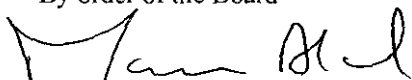
provided that the authority hereby conferred shall unless renewed expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to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

*Notes:*

1. Mr. A. M. Sugar (Chairman) founded Amstrad in 1968 and was responsible for the business's significant growth in the 1980's. Mr. A. M. Sugar is also Chairman of Viglen Technology Plc and Tottenham Hotspur plc.
2. Mr. R. J. Watkins has been Chief Executive since October 1997. He originally joined Amstrad in 1976 and as a director was involved in a number of areas including the successful development of Amstrad's mobile phone operation in Denmark which was sold in 1997.
3. Ms. M. R. Mountford is a lawyer with many years corporate law experience as a partner in the law firm Herbert Smith from which she retired in March 1999.
4. Any member entitled to attend and vote at the Meeting convened by the above Notice may appoint one or more proxies to attend and vote instead of him/her. The proxy need not be a member of the Company. A form of proxy is enclosed and to be valid, it must be lodged at the offices of the Company's registrars, Independent Registrars Group plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ together with the power of attorney or written authority, if any, under which it is signed (or a notarially certified or office copy of such power or written authority) not less than 48 hours before the time fixed for the Meeting. The appointment of a proxy does not preclude a member from attending and voting at the Meeting.
5. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those members registered in the register of members of the Company as at 11.00 a.m. on 22 November, 1999 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the time. Changes to entries on the relevant register of securities after 11.00 a.m. on 22 November 1999 will be disregarded in determining the rights of any person to attend or vote at the Meeting.
6. A statement of the share transactions, if any, of each director up to and including 23 September 1999 and copies of their contract of services, where applicable, are available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday excepted) until the date of the Meeting and shall also be available at the place of the Meeting for at least 15 minutes prior to the Meeting and until the conclusion of that Meeting.

Dated 23 September 1999

By order of the Board



M. A. G. Bland  
Secretary

Registered office:  
Brentwood House  
169 Kings Road  
Brentwood  
Essex  
CM14 4EF

**Amstrad plc**

**FORM OF PROXY**

I/We

.....  
 being (a) member(s) of Amstrad plc hereby appoint the Chairman of the Meeting (see note 1) or

.....  
 as my /our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 24 November 1999 and at any adjournment thereof. This proxy is to be used as follows (see note 2):-

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the financial statements for the year ended 30 June 1999 and the directors' and auditors' reports thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of 0.7p per ordinary share	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. A. M. Sugar as a director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. R. J. Watkins as a director	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Ms. M. R. Mountford as a director	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Deloitte & Touche as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7. To give the directors authority to allot shares	<input type="checkbox"/>	<input type="checkbox"/>
8. To disapply pre-emption rights on allotment of equity securities (special resolution)	<input type="checkbox"/>	<input type="checkbox"/>

Signature ..... Date .....

Notes:

1. If you wish to appoint some other person, please insert his/her name and address, initial the insertion and strike out the words "the Chairman of the Meeting".
2. Please indicate with an X how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote or abstain as he/she thinks fit.
3. A form of proxy executed by a corporation must be executed as a deed or under the hand of a duly appointed officer or attorney.
4. To be valid, this proxy must be lodged, together with any power of attorney or other written authority under which it is signed (or a notorially certified copy of such power of authority) with the Company's Registrar, Independent Registrars Group plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ not less than 48 hours before the time fixed for the Meeting.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.
6. Completion and return of the form of proxy will not preclude ordinary shareholders attending and voting at the Meeting should they subsequently decide to do so.