955321

Amstrad

Always Innovating

Amstrad plc
Annual Report & Accounts 1999/2000

www.amstrad.com

Contents

Directors and Advisers

Directors	Sir Alan 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 Audit Committee	
	+Chairman of Remuneration Committee	

Non-Executive Directors

Mr. J. E. Samson, aged 72, 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 the 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 including Viglen Technology Plc.

Ms. M. R. Mountford, aged 48, has many years' corporate law experience as a partner in the law firm, Herbert Smith from which she retired in March 1999.

Company Secretary M. A. G. Bland BA ACA

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Telephone 01277 228888
Facsimile 01277 211350 **Website** www.amstrad.com

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

Principal Bankers Lloyds TSB Bank Plc, St. Georges House, 6/8 Eastcheap, London EC3M 1AE

Registrar Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

Company Number Registered in England and Wales No. 955321

Chairman's Statement

Financial Review

I am pleased to report excellent progress over the last twelve months. Profit before tax of £15.4m, excluding the £2.3m loss from Amserve, was 85% higher than last year's profit before tax of £8.4m (excluding the £0.7m profit on selling the Telecoms business). Sales, excluding Amserve, of £126.2m were 34% higher than last year's sales of £94.1m. Earnings per share increased from 7.5p to 11.3p.

The Board of Directors recommend an increased final dividend of 1.5p (1999 0.7p) per ordinary share to be paid on 4 December 2000 to shareholders on the register on 13 October 2000 which together with the interim dividend of 0.8p (1999 0.3p) per ordinary share paid on 7 April 2000 makes a total distribution of 2.3p (1999 1.0p) per ordinary share in respect of the year ended 30 June 2000.

Cash of £14.5m was £3.9m lower than last year largely due to that absorbed in establishing the e-m@iler business and the high level of debtors at 30 June 2000 reflecting the strong sales in the last few months of the financial year. Stocks of £1.8m were £1.0m lower than last year mainly due to the increasing proportion of business of our current product range shipped directly to customers.

Operating Review

Amstrad Business

As one of the now five suppliers of digital satellite decoders ("set top boxes") to British Sky Broadcasting Group Plc ("BSkyB"), the company has benefited from the very strong demand for BSkyB's digital TV service which should continue with BSkyB having announced that they are on target to deliver 5 million subscribers by the end of 2000 and planning to reach a total of 7 million digital subscribers by the end of 2003. As the original manufacturing partner and trusted supplier to BSkyB when they first started their analogue service in 1988, we anticipate supplying BSkyB for the foreseeable future. We have orders in place for the current financial year although the timing and quantities to be delivered will be dependent on the uptake of BSkyB's digital service.

Being the second supplier to BSkyB to deliver at the start of their digital venture, we are pleased to have progressed to the leading edge of technology in this sector, demonstrated by us being the first supplier to receive full BSkyB approval and start delivery in August 2000 of a new reduced cost chassis utilising the latest chip technology. This new lower cost chassis should place us in a strong position to remain one of their key suppliers as it fulfils the needs of our customer whose business model very much depends on lowering the subsidy which they have to provide which has increasingly put pressure on suppliers margins.

As reported in our Interim Statement, with the benefit of almost two years' experience in supply and following refinement of our production and development procedures in this new technology, we were able to release some of the provisions against potential warranty costs on the set top boxes, as the actual costs incurred have been lower than anticipated.

Sales of analogue cable TV products to the Australian market were ahead of last year. New consumer electronic products were introduced during the year including a number of new audio systems. Sales of TVs and videos to the national supermarket chains were lower than last year, reflecting the increasingly competitive nature of this business. Opportunities in this market will still be pursued but only if a satisfactory profit margin can be achieved.

Although consumer electronic products continue to be sold into the UK market, sales out of our Hong Kong office to the Worldwide market have steadily increased following the opening of a sales function in our Hong Kong office a year ago.

Amserve Business

On 29 March 2000 we launched the Company's latest innovative technology product, the e-m@iler. The e-m@iler brings e-mail to the mass market in an easy to use format at an affordable price by way of a highly featured phone offering e-mail, voicemail, fax facilities and a portable databank. The e-m@iler is effectively "future proof" as software enhancements can be sent down the line to the e-m@iler in customer's homes. One example of a new feature downloaded since the launch is the ability to send SMS messages to mobile phones.

The product was developed by our in-house development team, who have worked in conjunction with British Telecommunications plc, BT Openworld business division, with whom we have contracted to operate the Amserve e-mail service.

In addition to e-mail the e-m@iler offers a very new and innovative approach to advertising. Unlike conventional computers, where consumers have to take deliberate action in order to view advertising and participate in commercial transactions, the e-m@iler advertising strategy is very similar to bill board advertising that one would see in the street. The telephone being one of the most frequently used pieces of equipment in the home is normally placed in a convenient position. Advertisements can be sent from time to time that appear automatically on the e-m@iler's graphics screen without the customer having to activate the display and to which the customer can respond by the touch of a button, offering Amserve opportunities to share in the revenue from e-commerce transactions. This kind of advertising should guarantee exposure for the advertisers and enables an instant link for response directly to the advertiser's call centre. To our knowledge there is no other advertising media that can guarantee this to advertisers. It is important that our concept is clearly understood by our shareholders and the financial community, and not tainted by disappointing advertising revenues derived from conventional Internet routes or misleading offers by Internet providers implying free Internet and E-mail services.

One of the most innovative features we are developing is the advertisement delivery system, which ultimately will enable advertisers to automatically book advertising slots choosing the demographic and size of audience they require from our database. This whole system will be fully automated and should allow advertisers to cut costs.

Advertising partners that have already signed up with us include Britannia Music, Direct Line and BSkyB. With the co-operation of these partners we have so far been able to gauge responses to advertising as well as improve the advertising delivery system. To-date advertising response rates have been very encouraging and we are currently in discussion with other potential advertisers.

So far the introduction of the e-m@iler has gone through three phases. Five hundred units were released in March 2000 to consumers who agreed to participate in trials to ensure that the system we had developed operated satisfactorily. After intensive testing through these trials as a second phase we released limited volume in May 2000. On September 4th we moved to phase three, releasing full volume production to a much wider base of retail customers giving us virtually a full high street and mail order catalogue presence. In this phase we plan for a total of 120,000 units to be installed, supported by a TV and press advertising campaign. The 120,000 base will give us a large enough platform to carry out detailed appraisals of various advertising initiatives and e-mail usage.

Currently e-mail usage is in line with our expectations. E-mail is becoming an increasing mode of everyday communication and we plan new initiatives to further stimulate usage. One such example is the recent downloading of software that enables SMS messages to be sent to mobile phones.

To appeal to the mass market and achieve significant sales volume the price of the e-m@iler is subsidised. The subsidy is planned to be recouped by a long term revenue stream derived from a share of e-mail call revenue, SMS message charges, revenue from advertisements sent down the line to consumers and from associated e-commerce transactions. As the product and service is very different to the traditional Amstrad business it is operated through a separate company, Amserve Limited ("Amserve"), and in the accounts the Amserve results have been reported separately.

On 8 June 2000 Dixons Group plc took a 20% share in Amserve for £3m in cash together with advertising, service support and distribution investment valued at £12m in support of the product in their 1000 stores. Dixon's investment demonstrates their belief in the great potential of the e-m@iler product and service and the ongoing long-term revenue potential.

Outlook

The Company's strategy continues to be to deliver technology to the mass consumer market at an affordable price by way of high technology products developed by the Company's experienced in-house development team, often in conjunction with outside development partners. Developing strategic partnerships with companies, such as those with BT and Dixons, will also be a key route for the future development of the Company.

The Worldwide mobile phone market has seen substantial growth and shows little signs of slowing in the medium term. By the end of last year there were 250 million GSM digital mobile phones in use throughout the World, a figure that is expected to double by the first quarter of 2001. Our development team has considerable experience of the mobile phone market and we have decided to enter that market now that technological development has stabilised and our undertaking not to compete with Bosch, to whom Dancall Telecom was sold, has expired.

As our first phase, we have developed, using our experienced in-house engineering team and leading outside development partners, a feature packed GSM mobile phone at a very competitive price. Volume production is scheduled to commence in the fourth quarter of this calendar year. Other handset models, designed to meet customer demands as they emerge, will follow.

The model now nearing production will be produced by a manufacturing partner in the Far East thereby offering cost advantages not available to European manufacturers. We believe that being a low cost producer with a low overhead base will give us a fundamental competitive advantage because network operators Worldwide, and particularly those in the developing countries, are constantly compelled to find new ways of reducing the subsidy they have to support. Also many of the network operators' pay-as-you-go offers are *based on the same manufacturer's handset, making it a very competitive environment for the network operator,* as it is more difficult for them to differentiate their product and service. We plan to offer 'own brand' exclusivity to one network operator in every geographic market. We are currently in discussions with a number of Western and Central European network operators and our Hong Kong office will be used to exploit the tremendous international opportunities particularly in the Far East, where the major Western brands are not as well known but where substantial future demand is already becoming evident. Even when new subscriber growth in the more mature European countries does slow down the replacement market will continue to give significant opportunities as mobile phones have increasingly become a fashion accessory with customers demanding the latest technology, size and features.

Our decision to enter the mobile phone market provides Amstrad with another strong business sector to add to our existing satellite, e-m@iler and consumer electronics businesses. Whilst our existing businesses are geared to the UK market, our mobile phone business will have significant international opportunities. Opportunities overseas will also be explored for the e-m@iler product and service, by seeking partners who wish to replicate the UK Amserve operation.

In conclusion it should be clear to shareholders that Amstrad is going through a major change to its business model. The Company now has two main business areas, the first being the conventional product based business, the second Amserve, a business that provides a service which should prosper from an expanding user base by way of downstream revenue.

For Amserve to be successful an upfront subsidy will continue to be required to enable the e-m@iler to be sold at an attractive retail price. This subsidy is an investment for the future and is no different from the business models of the mobile phone operators and digital television broadcasters who have been very successful. By building up the population of units out in the market there will be the expected initial losses in Amserve reflecting the subsidising of the e-m@ilers and this will impact on the Group's reported results.

With this in mind, shareholders should view the Company's activities as two separate entities and should focus on the operating profits generated by our conventional product based business, while at the same time monitoring the subscriber and revenue growth of Amserve.

Sir Alan Sugar
Chairman
28 September 2000

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 9 relating to the number of non-executive directors, the Group has been in compliance throughout the year ended 30 June 2000 with the provisions set out in the Combined Code for Corporate Governance ("the Code") issued by the UK Listing Authority.

The Board

Up until 21 September 1999 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 11. 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 has two non-executive directors, 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 a non-executive director. Up until 21 September 1999 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 consisted solely of the non-executive directors as required by the Code. This resulted 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 9 and 10.

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.

Corporate Governance (continued)

Internal Control

The Board is responsible for the Group's system of internal financial control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Code introduced a requirement that the Board review the effectiveness of the Group's system of internal controls. This extends the previous requirement in respect of reporting on internal financial controls to cover all controls including financial, operational, compliance and risk management. The Group has adopted the transitional approach for the Code set out in the letter from the London Stock Exchange to listed companies sent at the end of September 1999.

During the year the Board put in place a formal process for identifying, evaluating and managing the Group's significant risks. This process will be regularly reviewed by the Board and accords with the internal control guide for directors on the combined code.

The 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 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 2000.

Principal activities
The principal activities of the Group are the design, development, marketing and distribution of satellite, telecommunication and other consumer electronic products. As outlined in the Chairman's Statement on pages 2 to 4 the Group through Amserve now receives ongoing downstream revenue derived from usage of the e-m@iler.

Business review and future developments
A review of the Group's business and future developments is contained within the Chairman's statement on pages 2 to 4.

Results and dividends
The profit for the year on ordinary activities before tax was £13.1m (1999: £9.1m). The profit before tax for the year was made up of a profit of £15.4m (1999: £9.1m) from the main Amstrad business and a pre tax loss of £2.3m (1999: £nil) from Amserve Ltd ("Amserve") the company established to conduct the e-m@iler business in the UK. In the consolidated profit and loss account on page 13 of these financial statements the results attributable to Amserve have been shown separately to the results of the main Amstrad business.

An interim dividend of 0.8p per share was paid to the shareholders on 7 April 2000 (1999: 0.3p). The directors recommend the payment of a final dividend of 1.5p per share (1999: 0.7p).

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 5 to the financial statements.

Share capital
Details of issued share capital are given in note 18 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. I. P. Saward and Mr. S. Sugar retire by rotation and offer themselves for re-election at the Annual General Meeting.

Details of related party transactions and directors' interests in transactions during the year are included in note 25 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 9 and 10.

Substantial interests
The directors are not aware of any shareholders interested in three per cent, or more of the issued share capital of the Company at 30 June 2000 or at 21 September 2000 save as disclosed below:

	30 June 2000		*21 September 2000*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Sir Alan Sugar	23,026,313	29.1%	23,026,313	29.1%
Schroders plc (+)	6,824,501	8.6%	8,098,401	10.2%
Herald Investment Trust	2,500,000	3.2%	2,500,000	3.2%

+ As discretionary fund manager

Political and charitable donations
Charitable donations of £64,935 were made during the year (1999: £nil). No political donations were made during the year (1999: £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 2000 was 34 days (1999: 33 days).

Year 2000
No significant problems have arisen from the Year 2000 issue. The costs of the Company's Year 2000 compliance 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

28 September 2000

Report of the Board on Directors' Remuneration

Composition of the Remuneration Committee

Up until 21 September 1999 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 and from that date the Remuneration Committee consisted exclusively of the two non-executive directors.

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 UK Listing Authority. 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 for the year ended 30 June 2000 were as follows :-

	Salary/ Fees £000	*Bonus Payments* £000	*Benefits in kind* £000	*Total for year ended 30 June 2000* £000	*Total for year ended 30 June 1999* £000
Sir Alan Sugar (Chairman)	250	-	-	250	315
R.J. Watkins	256	42	24	322	261
M.A.G. Bland	90	45	13	148	120
I.P. Saward	107	53	10	170	145
S.Sugar	110	92	12	214	172
J.E. Samson - non executive director	23	-	-	23	20
M.R. Mountford - non executive director	19	-	-	19	-
	855	232	59	1,146	1,033

The Company made no pension contributions to directors in the year (1999: £nil).

Sir Alan Sugar's services are provided to Amstrad plc by Amshold Limited, a company owned by Sir Alan Sugar, and are terminable on 12 months' notice.

Each of Messrs R. J. Watkins, M. A. G. Bland, I.P. Saward and S. Sugar has a continuous service contract subject to 12 months' notice by either party at any time. Mr. J. E. Samson's and Ms M.R. Mountford's contracts expire on 25 October 2000. Other than Sir Alan Sugar's interests as disclosed in note 25 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 2000 had the following interests in the shares of Amstrad plc :

	Ordinary shares of 10p each	
	30 June 2000	*1 July 1999 or date of appointment if later*
Sir Alan Sugar	23,026,313	23,026,313
R.J. Watkins	600,000	600,000
M.A.G. Bland	20,000	20,000
I.P. Saward	-	-
S. Sugar	540,170	540,170
J.E. Samson	3,074	3,074
M.R. Mountford	10,000	-

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 generally 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 1999	30 June 2000	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 2000 was 221p (1999: 64.5p). The highest mid-market price during the year was 607.5p and the lowest 73p.

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 13 to 26 which have been prepared under the accounting policies set out on pages 17 and 18.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report, including as described on page 11 the preparation of the financial statements which are required to be prepared in accordance with the applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, 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 corporate governance statement on page 5 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 audit opinion
We conducted our audit in accordance with United Kingdom 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 2000 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

28 September 2000

Consolidated Profit and Loss Account

	Note	Year ended 30 June 2000 Total before Amserve £000	Amserve £000	Total £000	Year ended 30 June 1999 Group £000
Turnover:					
Group and share of joint venture	2	126,198	2,237	128,435	94,117
Less: Share of joint venture		-	(1,006)	(1,006)	-
Group turnover	3	126,198	1,231	127,429	94,117
Cost of sales		(105,004)	(2,054)	(107,058)	(78,265)
Gross profit/(loss)		21,194	(823)	20,371	15,852
Group distribution costs		(1,492)	(329)	(1,821)	(2,501)
Group administrative expenses		(5,303)	(113)	(5,416)	(5,298)
Group net operating expenses		(6,795)	(442)	(7,237)	(7,799)
Group operating profit/(loss)		14,399	(1,265)	13,134	8,053
Share of joint venture operating loss	2	-	(1,090)	(1,090)	-
Total operating profit/(loss)		14,399	(2,355)	12,044	8,053
Exceptional item - Profit on disposal of business in continuing activities		-	-	-	729
Net interest receivable - Group	4	1,050	-	1,050	300
Net interest receivable - Share of joint venture		-	8	8	-
Profit/(Loss) on ordinary activities before taxation	5	15,449	(2,347)	13,102	9,082
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(4,905)	704	(4,201)	(3,236)
Profit/(Loss) on ordinary activities after taxation		10,544	(1,643)	8,901	5,846
Dividends payable	9	(1,814)	-	(1,814)	(781)
Retained profit/(loss) for the financial year	19	8,730	(1,643)	7,087	5,065
Earnings per share	11			11.3p	7.5p
Diluted earnings per share	11			10.8p	7.4p
Equity dividends per share	9			2.3p	1.0p

Statement of Total Recognised Gains and Losses

	Note	2000 £000	1999 £000
Profit for the financial year		8,901	5,846
Deemed disposal of interest in Amserve	2	2,420	-
Total recognised gains relating to the year		11,321	5,846

Consolidated Balance Sheet

	Note	30 June 2000 £000	30 June 2000 £000	30 June 1999 £000
Fixed assets				
Tangible assets	12		682	677
Investment in joint venture:				
Share of gross assets	2	4,422		
Share of gross liabilities	2	(2,844)		
			1,578	-
			2,260	677
Current assets				
Stocks	14		1,835	2,807
Debtors	15		38,725	18,076
Cash at bank and in hand			14,494	18,370
			55,054	39,253
Creditors: amounts falling due within one year	16		(25,418)	(17,734)
Net current assets			29,636	21,519
Total assets less current liabilities			31,896	22,196
Provisions for liabilities and charges	17		(3,958)	(3,971)
Total net assets			27,938	18,225
Called up share capital	18		7,913	7,825
Share premium account	19		5,868	5,750
Capital reserve	19		3,618	1,198
Profit and loss account	19		10,539	3,452
Equity shareholders' funds	20		27,938	18,225

The financial statements were approved by the Board of Directors on 28 September 2000.

Sir Alan Sugar

M.A.G. Bland
Directors

Company Balance Sheet

	Note	*30 June 2000 £000*	*30 June 1999 £000*
Fixed assets			
Tangible assets	12	664	653
Investments	13	7,306	6,505
		7,970	7,158
Current assets			
Stocks	14	1,194	124
Debtors	15	49,929	22,300
Cash at bank and in hand		14,348	18,359
		65,471	40,783
Creditors: amounts falling due within one year	16	(45,020)	(26,462)
Net current assets		20,451	14,321
Total assets less current liabilities		28,421	21,479
Provisions for liabilities and charges	17	(3,958)	(3,971)
Total net assets		24,463	17,508
Called up share capital	18	7,913	7,825
Share premium account	19	5,868	5,750
Capital reserve	19	1,198	1,198
Profit and loss account	19	9,484	2,735
Equity shareholders' funds		24,463	17,508

The financial statements were approved by the Board of Directors on 28 September 2000.

Sir Alan Sugar

M.A.G. Bland
Directors

Consolidated Cash Flow Statement

	Note	*Year ended 30 June 2000 £000*	*Year ended 30 June 1999 £000*
Net cash inflow from operating activities	21	1,934	8,452
Returns on investments and servicing of finance	22	1,023	287
UK corporation tax paid		(4,281)	(97)
Overseas tax paid		(1)	(2)
Capital expenditure	22	(777)	(1,072)
Acquisitions and disposals	22	(801)	3,996
Equity dividends paid		(1,179)	(466)
Cash (outflow)/inflow before financing		(4,082)	11,098
Financing			
Issue of shares		206	90
(Decrease)/Increase in cash		(3,876)	11,188

Reconciliation of net cash flow to movement in net cash

(Decrease)/Increase in cash in the year		(3,876)	11,188
Cash at 1 July		18,370	7,182
Cash at 30 June		14,494	18,370

Notes to the Financial Statements

1. Principal accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover comprises invoiced sales and services less returns and VAT.

(c) Consolidation

The results for the Group comprise the results of the Company and its subsidiary undertakings up to 30 June 2000. 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. Investments which are held for the long-term and where the Group exercises joint control are accounted for as a joint venture using the gross equity method.

(d) Tangible fixed assets

(i) Tangible fixed assets are capitalised at cost; and

(ii) Tangible fixed assets are depreciated over their estimated useful lives on a straightline basis. The periods generally applicable are:

	Period
Tooling	2 Years
Fixtures, fittings, office equipment and motor vehicles	4 Years

(e) Investments

Investments are included at cost less amounts written off to reflect an impairment in value.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is assessed after taking into account future revenue streams generated by products in addition to their basic selling price.

(g) Taxation and deferred taxation

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.

(h) Foreign currencies

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. Exchange differences arising on the translation of the opening net assets of overseas subsidiaries are taken to reserves. The difference between the profit and loss account of foreign subsidiaries translated at the average exchange rate and the closing exchange rate are similarly recorded as a movement on reserves.

(i) Development costs

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) **Warranty**
Provision is made for costs relating to anticipated sales returns of products within their warranty period.

2. Amserve

On 29 March 2000 the e-m@iler business was launched. This business is fundamentally different to the main Amstrad business in that the e-m@iler product is sold at below cost with the loss recouped through a share of ongoing e-mail revenue, SMS message revenue and also future advertising revenue. The e-m@iler business is conducted in the UK through Amserve Limited ("Amserve") under an exclusive UK supply agreement with Amstrad. In the Consolidated Profit and Loss Account on page 13 the results of Amserve have been disclosed separately. The results of Amserve relate to its trading activity only with the development costs of the e-m@iler product included in the "Total before Amserve" column in the Consolidated Profit and Loss Account on page 13.

On 8 June 2000 Amstrad signed an agreement with Dixons Group Plc ("Dixons") whereby Amserve issued shares to Dixons for £3 million in cash giving Dixons a 19.9% stake in Amserve. This diluted Amstrad's interest in Amserve from 100% to 80.1% and as such has been accounted for as a deemed disposal of part of Amstrad's financial interest resulting in a gain of £2.4m which is included in the Statement of Gains and Losses on page 13.

Under the shareholder agreement between Amstrad and Dixons, control of Amserve is effectively shared jointly with Dixons on certain matters. From 8 June 2000 Amserve has therefore been treated as a joint venture and excluded from consolidation on the basis of the long term restrictions over the exercise of rights by Amstrad and from that date accounted for under the gross equity basis (ie: The Amstrad Group accounts include Amstrad's share of the underlying results from 8 June 2000 and Amstrad's share of the net assets as at 30 June 2000).

During the year to 30 June Amstrad made sales of £4,218,000 to Amserve and made other charges of £580,000 to Amserve. As at 30 June 2000 Amstrad had a £784,000 liability to Amserve for the corporation tax value of Amserve's tax losses utilised by Amstrad.

3. Turnover

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

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
United Kingdom	118,755	87,937
Australia	5,690	4,786
Mainland Europe	2,466	1,394
Other Countries	518	-
	127,429	94,117

4. Net interest receivable - Group

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
Interest receivable	1,050	325
Interest payable on bank loans and overdrafts	-	(25)
	1,050	300

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following :-

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
Depreciation of owned tangible fixed assets	772	1,102
Loss on sale of tangible fixed assets	-	5
Research and development expenditure	2,119	1,760
Operating leases: land and buildings	147	144
Auditors' remuneration and expenses - audit work	31	40
Auditors' remuneration and expenses - other	68	62
Directors' emoluments	1,146	1,033

6. Emoluments of directors

Details of directors' emoluments and directors' share options are included in the Report of the Board on Directors' Remuneration on pages 9 and 10.

7. 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 :-

	Year ended 30 June 2000 No.	*Year ended 30 June 1999 No.*
Administration	23	30
Sales and marketing	5	8
Warehousing, service and distribution	5	6
Technical and product management	38	44
	71	88

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

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
Wages and salaries, including bonuses	3,021	3,033
Social security costs	288	275
	3,309	3,308

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

	30 June 2000			
	Total before Amserve £000	*Amserve £000*	*Total £000*	*30 June 1999 £000*
Tax based on the profit/(loss) on ordinary activities for the year:				
UK Corporation tax at 30% (1999: 30.75%)	(4,049)	-	(4,049)	(3,261)
Group relief at 30% relating to Amserve	(784)	380	(404)	-
Prior year adjustment	-	-	-	32
Overseas tax	(72)	-	(72)	(7)
Share of tax credit of joint venture	-	324	324	-
	(4,905)	704	(4,201)	(3,236)

The tax charge is high due to timing differences not reflected through deferred tax.

9. Dividends

The directors propose a final dividend of 1.5p (1999: 0.7p) per share, which together with the interim dividend of 0.8p (1999: 0.3p) per ordinary share paid on 7 April 2000 makes a total distribution of 2.3p (1999: 1.0p) per ordinary share in respect of the year ended 30 June 2000.

10. Profit 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 £8.6 million (1999: £2.4 million profit).

11. Earnings per share and diluted earnings per share

The earnings per share is based on the profit for the year after taxation of £8,901,000 (1999: £5,846,000) and on the average number of shares in issue during the year of 78,762,227 (1999: 77,890,618). Diluted earnings per share is based on the same earnings figure as above and 82,413,962 (1999: 79,473,995) ordinary shares allowing for the potential exercise of outstanding share purchase options exercisable at a price below the average fair value during the year.

12. Tangible fixed assets

	Motor vehicles £000	*Fixtures fittings tools and equipment £000*	*Total £000*
Group			
Cost			
At 1 July 1999	332	1,687	2,019
Additions	102	690	792
Disposals	(34)	(977)	(1,011)
At 30 June 2000	400	1,400	1,800
Depreciation			
At 1 July 1999	121	1,221	1,342
Charge for the year	95	677	772
Disposals	(21)	(975)	(996)
At 30 June 2000	195	923	1,118
Net book value			
At 30 June 2000	205	477	682
At 30 June 1999	211	466	677
Company			
Cost			
At 1 July 1999	332	1,655	1,987
Additions	102	686	788
Disposals	(34)	(977)	(1,011)
At 30 June 2000	400	1,364	1,764

12. Tangible fixed assets (continued)

	Motor vehicles £000	*Fixtures fittings tools and equipment £000*	*Total £000*
Depreciation			
At 1 July 1999	121	1,213	1,334
Charge for the year	95	667	762
Disposals	(21)	(975)	(996)
At 30 June 2000	195	905	1,100
Net book value			
At 30 June 2000	205	459	664
At 30 June 1999	211	442	653

13. Investments

Company

Investments of the Company at 30 June 2000 comprise shares in subsidiary undertakings at cost of £7,306,000 (1999: £6,505,000). The £801,000 increase in investments during the year relates to the investment in Amserve outlined in note 2. During the financial year the trade of two subsidiary undertakings, Amstrad Consumer Products Limited (formerly Betacom Products Limited) and Amstrad Satellite Products Limited (formerly 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
Amserve Limited	80.1%	United Kingdom
Amstrad Consumer Products Limited	100%	United Kingdom
Amstrad Satellite Products Limited	100%	United Kingdom
Amstrad International Limited	100%	Hong Kong

14. Stocks

	Group		*Company*	
	30 June 2000 £000	*30 June 1999 £000*	*30 June 2000 £000*	*30 June 1999 £000*
Raw materials and consumables	76	919	9	-
Finished goods and goods for resale	1,759	1,888	1,185	124
	1,835	2,807	1,194	124

15. Debtors

	Group		Company	
	30 June 2000 £000	*30 June 1999 £000*	*30 June 2000 £000*	*30 June 1999 £000*
Trade debtors	34,062	17,350	33,961	17,227
Amounts due from Amserve	2,962	-	2,962	-
Amounts due from other subsidiary undertakings	-	-	11,144	4,334
Other debtors	253	486	253	486
Prepayments and accrued income	1,414	206	1,406	199
Corporation tax recoverable	34	34	54	54
Group relief receivable	-	-	149	-
	38,725	18,076	49,929	22,300

The amount due from Amserve principally represents e-m@iler stock purchased from Amstrad.

16. Creditors: amounts falling due within one year

	Group		Company	
	30 June 2000 £000	*30 June 1999 £000*	*30 June 2000 £000*	*30 June 1999 £000*
Trade creditors	11,961	8,149	11,877	8,047
Amounts owed to other subsidiary undertakings	-	-	23,283	11,782
Corporation tax payable	2,934	3,166	223	242
Amount due to Amserve	784	-	-	-
Overseas tax payable	78	7	-	-
Other taxes and social security	4,087	2,487	4,087	2,486
Accruals and deferred income	4,391	3,377	4,367	3,357
Dividend payable	1,183	548	1,183	548
	25,418	17,734	45,020	26,462

17. 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:-

	Warranty £000	*Other Claims £000*	*Total £000*
At 1 July 1999	3,298	673	3,971
Provided in the year	2,377	1,207	3,584
Released in the year	(1,798)	(144)	(1,942)
Utilised in the year	(1,518)	(137)	(1,655)
At 30 June 2000	2,359	1,599	3,958

The amount of potential deferred tax assets not recognised for the Group and Company are £968,000 (1999: £542,000), split between fixed asset timing differences £401,000 (1999: £235,000) and other short term timing differences £567,000 (1999: £307,000).

18. Called up share capital

	30 June 2000 No.	30 June 2000 £000	30 June 1999 No.	30 June 1999 £000
Authorised:				
Ordinary shares of 10p each	88,122,793	8,812	88,122,793	8,812
Allotted issued and fully paid:				
Ordinary shares of 10p each	79,129,659	7,913	78,249,659	7,825

During the year 880,000 shares were issued in respect of share options exercised for a total consideration of £206,650.

The following options to subscribe for shares have been granted and were outstanding at 30 June 2000 under the Company's 1988 Employee Share Option Scheme and the Company's 1997 Performance Related Share Option Scheme:-

Date of grant	Number of Shares	*Option price*	*Exercisable from*	*Exercisable to*
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
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	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	650,000	30.0p	05.10.01	05.10.05
05 October, 1998	330,000	30.0p	05.10.01	05.10.08
20 October, 1999	88,398	106.0p	20.10.02	20.10.06
20 October, 1999	291,602	106.0p	20.10.02	20.10.09
19 April, 2000	131,432	224.0p	19.04.03	19.04.07
19 April, 2000	53,568	224.0p	19.04.03	19.04.10

Details of directors' share options are disclosed in the Report of the Board on Directors' Remuneration on pages 9 and 10.

19. Share premium and reserves

	Share premium account £000	*Capital reserve £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 July 1999	5,750	1,198	3,452	10,400
Premium on shares issued during the year	118	-	-	118
Deemed disposal of interest in Amserve	-	2,420	-	2,420
Profit retained for the financial year	-	-	7,087	7,087
At 30 June 2000	5,868	3,618	10,539	20,025
Accumulated goodwill written off against reserves	-	-	4,353	4,353
Company				
At 1 July 1999	5,750	1,198	2,735	9,683
Premium on shares issued during the year	118	-	-	118
Profit retained for the financial year	-	-	6,749	6,749
At 30 June 2000	5,868	1,198	9,484	16,550

20. Reconciliation of movements in shareholders' funds

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
At 1 July	18,225	11,872
Shares issued during the year	206	90
Gain on deemed disposal of interest in Amserve	2,420	-
Goodwill written back on disposal	-	1,198
Profit for the year	8,901	5,846
Dividends	(1,814)	(781)
At 30 June	27,938	18,225

21. Net cash inflow from operating activities

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
Operating profit (excluding Amserve)	14,399	8,053
Depreciation	772	1,102
Loss on sale of tangible fixed assets	-	5
Decrease/(Increase) in stocks	972	(647)
Increase in debtors	(20,622)	(13,689)
Increase in creditors	6,426	10,323
(Decrease)/Increase in provisions	(13)	3,305
Net cash inflow from operating activities	1,934	8,452

22. Analysis of cash flows for headings netted in cash flow statement

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
a. *Returns on investments and servicing of finance*		
Interest received	1,023	312
Interest paid	-	(25)
Net cash inflow for returns on investments and servicing of finance	1,023	287
b. Capital expenditure		
Purchase of tangible fixed assets	(792)	(1,156)
Sale of tangible fixed assets	15	84
Net cash outflow from capital expenditure	(777)	(1,072)

22. Analysis of cash flows for headings netted in cash flow statement (continued)

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
c. Acquisition and disposals		
Investment in joint venture	(801)	-
Disposal of business	-	3,996
	(801)	3,996

The investment in joint venture related to the investment in Amserve Ltd as outlined in note 2. The disposal of business last year related to the sale of the Betacom, Answercall and Cable & Wireless branded telephony business.

23. 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 1999.

(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.

(b) Liquidity risk

The Group's policy throughout the year ended 30 June 2000 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:-

	30 June 2000 £000	*30 June 1999 £000*
Sterling	8,499	14,874
US Dollar	5,849	3,414
Deutschmark	146	82
	14,494	18,370

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

As at 30 June 2000 the Group had a net US dollar exposure comprising of the monetary assets and monetary liabilities denominated in US dollars. Such transactional exposures give rise to the net exchange gains and losses recognised in the profit and loss account. As at 30 June 2000 the net US dollar liability was £4.6m (1999: £2.0m net asset) which was fully covered at the Balance Sheet date by forward foreign currency contracts. As at 30 June 2000 there were no material differences 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 2000 the Group had forward foreign exchange contracts totalling $59m covering certain US dollar denominated purchasing commitments in the new financial year. Compared to the US dollar rate at 30 June 2000 of 1.514 there was an unrealised gain of £2.8m on these forward contracts.

24. Financial commitments

(a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (1999: £nil). There were no other contracted commitments, other than those provided in the financial statements (1999: £nil).

(b) Operating lease commitments

At 30 June 2000 the Group had annual commitments under operating leases relating to land and buildings as follows :-

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*
Expiring within one year	-	131
Expiring between two and five years inclusive	175	-

25. Related party transactions

Amstrad plc rents office space in Brentwood from Amsprop Trading Limited ("Amsprop"), a company controlled by Sir Alan Sugar. During the year rent of £147,000 (1999: £144,000) was paid to Amsprop. The rental agreements expired on 3 June 2000 and the Company has agreed new ten year leases with five year break clauses with Amsprop. As part of the process of agreeing lease terms the Company obtained independent third party confirmation that the rent payable under the new leases has been set at the market rate for the type of property and location.

During the year the Company charged Viglen Technology plc, a company controlled by Sir Alan Sugar, £nil (1999: £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 £19,456 (1999: £21,000).

During the year £21,622 (1999: £12,000) was paid to Amsail Limited, a company controlled by Sir Alan Sugar, for the hire of aircraft used by Amstrad staff for business trips.

By virtue of Sir Alan Sugar's interest in 40.1% of the ordinary shares in Tottenham Hotspur plc ("Tottenham") he had an interest in a three year contract dated 18 June 1999 between Tottenham and Amstrad plc for the purchase from Tottenham of advertising for a total consideration of £86,060 and covering three football seasons.

As disclosed in the Report of the Board on Directors' Remuneration Sir Alan Sugar's services are provided to Amstrad plc by Amshold Limited, a company owned by Sir Alan Sugar.

Financial record

	Year ended 30 June 2000 £000	*Year ended 30 June 1999 £000*	*Year ended 30 June 1998 £000*	*Year ended 30 June 1997 £000*	*Year ended 30 June 1996 £000*
Group and share of joint venture	128,435	94,117	53,289	43,075	16,025
Less: share of joint venture	(1,006)	-	-	-	-
Group turnover	127,429	94,117	53,289	43,075	16,025
Gross profit	20,371	15,852	7,279	7,233	2,689
Net operating expenses	(7,237)	(7,799)	(7,440)	(5,385)	(2,285)
Operating profit/(loss) before exceptional items	13,134	8,053	(161)	1,848	404
Exceptional costs	-	-	(888)	-	-
Share of joint venture operating loss	(1,090)	-	-	-	-
Total operating profit/(loss)	12,044	8,053	(1,049)	1,848	404
Profit on disposal of business in continuing activities	-	729	-	-	-
Net interest receivable/(payable)	1,058	300	(87)	(186)	202
Profit/(Loss) before taxation	13,102	9,082	(1,136)	1,662	606
Taxation	(4,201)	(3,236)	112	(225)	(31)
Profit/(Loss) after taxation	8,901	5,846	(1,024)	1,437	575
Dividends	(1,814)	(781)	(387)	(365)	-
Retained profit/(loss) for the year	7,087	5,065	(1,411)	1,072	575
Earnings/(Loss) per share	11.3p	7.5p	(1.33p)	2.12p	0.86p
Dividends per share	2.3p	1.0p	0.5p	0.5p	-
Capital employed					
Fixed assets	2,260	677	790	830	549
Net operating assets	25,678	17,548	11,082	11,691	9,247
Net assets	27,938	18,225	11,872	12,521	9,796
Financed by					
Share capital	7,913	7,825	7,767	7,687	6,660
Reserves and share premium	20,025	10,400	4,105	4,834	3,136
Equity shareholders' funds	27,938	18,225	11,872	12,521	9,796

Notice of meeting

NOTICE IS HEREBY GIVEN that the twelfth Annual General Meeting of the Company will be held at the Post House Brentwood Hotel, Brook Street, Brentwood, Essex CM14 5NF on Tuesday 21 November 2000 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 2000 and the reports of the directors and auditors thereon.
2. To declare a final dividend of 1.5p per ordinary share.
3. To re-elect Mr. I. P. Saward, who retires by rotation (Note 1).
4. To re-elect Mr. S. Sugar, who retires by rotation (Note 2).
5. 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 6 will be proposed as an ordinary resolution and resolution number 7 will be proposed as a special resolution:

6. 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 £899,313 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.
7. That subject to the passing of resolution 6 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 6 of the notice convening 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 £395,648,

    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. I. P. Saward was appointed Engineering Director on 1 May 1998. He has worked for Amstrad for 13 years. Details of Mr. I. P. Saward's service contract are set out in the Report of the Board on Directors' Remuneration on page 9.

2. Mr. S. Sugar was appointed Commercial Director on 1 May 1998. He has worked for Amstrad for 11 years. Details of Mr. S. Sugar's service contract are set out in the Report of the Board on Directors' Remuneration on page 9.

3. 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, Capita IRG 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.

4. 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 19 November, 2000 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 19 November 2000 will be disregarded in determining the rights of any person to attend or vote at the Meeting.

5. A statement of the share transactions, if any, of each director up to and including 28 September 2000 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 28 September 2000

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 Tuesday 21 November 2000 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 2000 and the directors' and auditors' reports thereon	☐	☐
2. To declare a final dividend of 1.5p per ordinary share	☐	☐
3. To re-elect Mr. I. P. Saward as a director	☐	☐
4. To re-elect Mr. S. Sugar as a director	☐	☐
5. 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	☐	☐
6. To give the directors authority to allot shares	☐	☐
7. To disapply pre-emption rights on allotment of equity securities (special resolution)	☐	☐

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 notarially certified copy of such power of authority) with the Company's Registrar, Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR 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.