955321

Amstrad®

Always Innovating

Amstrad plc
Annual Report & Accounts 2000/2001

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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 73, 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. He is a non executive director of Learning Technology Plc and serves on the boards of a number of charities.

Ms. M. R. Mountford, aged 49, 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
Registered Office	Brentwood House, 169 Kings Road, Brentwood, Essex CM14 4EF
Telephone	01277 228888
Facsimile	01277 211350 — **Website** www.amstrad.com
Stockbrokers	Beeson Gregory plc, The Registry, Royal Mint Court, London EC3N 4EY
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 on the results for the year to 30 June 2001.

Amstrad Business

The traditional Amstrad business reported a profit before tax, after £1.7m of exceptional costs, of £6.2m on sales of £60.9m compared to a profit before tax of £15.4m on sales of £126.2m last year when sales were boosted by very high digital satellite decoder deliveries in response to BSkyB's decision to offer the equipment free. Earnings per share from the Amstrad business were 5.3p (2000:13.4p).

Amserve Business (E-m@ilers)

As shareholders are aware Amserve is expected to incur initial losses. To appeal to the mass market the sale of e-m@ilers is subsidised with ongoing revenue then generated through e-mail usage and other revenue sources. Amserve's loss before tax attributable to the Group was £5.2m (2000: £2.3m) on sales of £4.1m (2000: £2.2m). Amserve is a joint venture which during the year ended 30 June 2001 was 80.1% owned by Amstrad and 19.9% owned by Dixons Group plc and as such the Amstrad Group accounts include 80.1% of the results of Amserve.

Group

The Group as a whole, after exceptional costs and including Amserve, reported a profit before tax of £1.0m (2000: £13.1m) on sales of £65.0m (2000: £128.4m). Earnings per share were 0.7p (2000:11.3p).

The Board of Directors recommend a final dividend of 1.5p (2000:1.5p) per ordinary share to be paid on 7 December 2001 to shareholders on the register on 5 October 2001 which together with the interim dividend of 0.8p (2000:0.8p) paid on 6 April 2001 makes a total distribution of 2.3p (2000:2.3p) per ordinary share in respect of the year ended 30 June 2001.

The Group balance sheet remains strong with net assets of £27.0m (2000: £27.9m) of which £26.9m (2000: £14.5m) is cash .The Group generated £12.4m of cash during the year. All of the traditional Amstrad business is now conducted on the basis of shipments directly to customers and therefore minimal stock is now held. The Amserve business continues to hold e-m@iler stock but this is not included in the Group stock figure as Amserve is accounted for as a joint venture and as such Amstrad's share of Amserve's net assets and liabilities are reported as one line in the Group Balance Sheet.

Operating Review

Amstrad Business

The Company continues to be an appointed supplier of digital satellite decoders ("set top boxes") to BSkyB although the level of sales was significantly less than in the previous financial year when BSkyB's digital subscriber base grew dramatically following its decision not to charge customers for purchasing a set top box. We already have commitments with BSkyB for the whole of the current financial year. The Company continues to drive down the unit cost of the set top boxes by using the latest chipset technology to combat the inevitable downward pressure on prices. Indeed in October 2001 we will launch a third generation chassis using the latest cost saving technology.

Our Hong Kong business has had a good year selling audio products to the worldwide market. This business is undertaken on a back to back basis with customers and suppliers thereby avoiding the normal inventory risk associated with the consumer electronics business. The consumer electronics business remains highly competitive and future business in this market will only be undertaken on a direct shipment basis from our Hong Kong office to customers worldwide.

In view of the uncertainty in the GSM phone market and a major change in policy of our manufacturing subcontractor the Company decided not to produce GSM phones in its own right but instead to licence the design and technology to others. Attempts to proceed in this direction have not succeeded and the Board has concluded that the likelihood of generating revenue from this business in the medium term is remote. As a result a provision of £1.7m has been made relating to this business.

Amserve Business

The Amserve e-m@iler business was launched in March 2000 with the introduction of the e-m@iler being undertaken in three phases with the third phase commencing in September 2000 with the nationwide availability of the product. As shareholders will recall the price of the e-m@iler is subsidised with the loss on sale to be recouped through a long term revenue stream derived from a share of e-mail call revenue, SMS revenue, voice service revenue and revenue from advertisements sent down the line to consumers. As at 30 June 2001 there were approximately 92,000 registered units.

The last year has seen continuous improvements being made to the Amserve service through software enhancements sent down the line to e-m@ilers in customers' homes. Examples of such improvements are the ability to send SMS messages to mobile phones and the facility to send graphical greeting cards by e-mail. In December 2000 we launched a new voice service function which involves the central ordering telephone numbers of participating companies being embedded into the e-m@iler services menu allowing users to scroll down the menu and be connected by a single key touch to the desired supplier.

As the installed base has grown the attractiveness of the e-m@iler as an advertising medium has increased and a number of new customers have signed up during the year. Adverts placed on the e-m@iler provide a direct link by phone to the advertiser's call centre and response rates to adverts sent to date have been encouraging.

Outlook

As I said in the Interim Statement the future of Amstrad lies in understanding the latest technology and then creating and developing products using that technology. These products can then be exploited by entering long term supply agreements such as with the set top box business or entering agreements with third parties to secure a long term revenue stream such as with the Amserve business. Agreements such as these provide the Group with long term cash generative revenue streams and reduce the normal risks faced by companies involved in pure hardware selling where margins are continually being eroded.

The last year's experience with the Amserve business has given us the confidence to proceed with developing as phase 4 of the e-m@iler programme a new version which will have a significantly lower subsidy per unit. The new e-m@iler will be cosmetically enhanced and will include many new features. This new version will be launched in the current financial year when full details of its new features will be released. Existing e-m@ilers will continue to be upgraded with new software developments and will continue to generate revenue.

Amserve recently entered an agreement with Thus plc for the provision of the service and technology platform for the new e-m@iler. Although this will have little impact on the first half of the current financial year it should result in an increase in Amserve's share of revenue for some services provided on the new e-m@iler. Together with the lower subsidy on the new unit and the increased revenue share Amserve's profitability to subsidy ratio will be improved.

In order to recapitalise Amserve and fund the future growth of the e-m@iler business Amstrad will subscribe for £12m in additional shares in Amserve on 27 September 2001. As a result Dixons' shareholding in Amserve will be diluted from 19.9% to 10.2%. Dixons remain fully committed to the Amserve business and intend to stock the new e-m@iler in their stores nationwide.

It is important for shareholders to recognise that Amserve is currently reporting a loss because the revenue generated by the existing user base is not great enough to offset the initial subsidies on e-m@ilers sold. We are looking for growth of the installed base and as more e-m@ilers are sold the initial losses will continue but the future profit potential of the Amserve business will increase particularly in view of the lower subsidy per unit and the increased revenue share. In simple terms Amserve will start reporting a profit when the ongoing income from the installed base exceeds the subsidy on new phones sold.

Sir Alan Sugar
Chairman
27 September 2001

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 8 relating to the number of non-executive directors, the Group has been in compliance throughout the year ended 30 June 2001 with the provisions set out in the Combined Code for Corporate Governance ("the Code") issued by the Financial Services Authority.

The Board

The Board consists of five executive directors and two non-executive directors. 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. The Board has 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 10. 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 consist of the two non-executive directors. The Audit Committee therefore consists 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 8 and 9.

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 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 Company has in place a formal process for identifying, evaluating and managing the significant business risks faced by the Group. This process is 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 business and financial risks faced by the Group;
- Financial reporting - a comprehensive system of budgeting and forecasting with monthly monitoring and reporting to the Board;
- Internal 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 2001.

Principal activities
The principal activities of the Group are the design, development, marketing and distribution of satellite, telecommunication and other consumer electronic products. The Group's e-m@iler business is conducted by Amserve Limited which receives ongoing downstream revenue derived from usage of the e-m@iler product. Amserve is a joint venture which is 80.1% owned by Amstrad and 19.9% owned by Dixons.

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 and 3.

Results and dividends
The profit for the year on ordinary activities before tax was £1.0m (2000: £13.1m). The profit before tax for the year was made up of a profit of £6.2m (2000: £15.4m) from the main Amstrad business and a pre tax loss of £5.2m (2000: £2.3m) from Amserve Ltd ("Amserve"). As Amserve is accounted for as a joint venture the results attributable to Amserve are reported as a separate line in the consolidated profit and loss account on page 12.

An interim dividend of 0.8p per share was paid to the shareholders on 6 April 2001 (2000: 0.8p). The directors recommend the payment of a final dividend of 1.5p per share (2000: 1.5p).

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 20 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. In accordance with the Articles of Association of the Company, Mr. M.A.G. Bland and Mr. J.E. Samson 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 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 8 and 9.

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 2001 or at 20 September 2001 save as disclosed below:

	30 June 2001		*20 September 2001*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Sir Alan Sugar	23,026,313	28.8%	23,026,313	28.8%
Schroders plc (+)	7,155,984	9.0%	7,155,984	9.0%
Herald Investment Trust	2,500,000	3.1%	2,500,000	3.1%

+ As discretionary fund manager

Political and charitable donations
Charitable donations of £64,103 were made during the year (2000: £64,935). No political donations were made during the year (2000: £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 2001 was 30 days (2000: 34 days).

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

27 September 2001

Report of the Board on Directors' Remuneration

Composition of the Remuneration Committee

The Remuneration Committee consists 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 Financial Services 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 2001 were as follows :-

	Salary/ Fees £000	*Bonus Payments £000*	*Benefits in kind £000*	*Total for year ended 30 June 2001 £000*	*Total for year ended 30 June 2000 £000*
Sir Alan Sugar (Chairman)	325	-	-	325	250
R.J. Watkins	270	-	24	294	322
M.A.G. Bland	100	10	14	124	148
I.P. Saward	115	-	13	128	170
S.Sugar	120	20	11	151	214
J.E. Samson - non executive director	25	-	-	25	23
M.R. Mountford - non executive director	25	-	-	25	19
	980	30	62	1,072	1,146

The Company made no pension contributions to directors in the year (2000: £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 2001. Other than Sir Alan 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 2001 had the following interests in the shares of Amstrad plc :

	Ordinary shares of 10p each	
	30 June 2001	*1 July 2000*
Sir Alan Sugar	23,026,313	23,026,313
R.J. Watkins	580,000	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	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 2000	Exercised in year	30 June 2001	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	28,226	375,000	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	50,000	50,000	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 2001 was 50p (2000: 221p). The highest mid-market price during the year was 286p and the lowest 49p. Mr S Sugar exercised options over 250,000 shares and immediately sold them at an average price of 88p per share creating a gain before taxation of £101,000. Mr M A G Bland exercised options over 125,000 shares and immediately sold them at an average price of 85p per share creating a gain before taxation of £67,000.

Statement of Directors' Responsibilities

United Kingdom 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 the system of internal control 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMSTRAD PLC

We have audited the financial statements of Amstrad Plc for the year ended 30 June 2001 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors' are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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 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 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 directors' report and the other information contained in the annual report for the above year as described in the contents section and 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 2001 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

27 September 2001

Consolidated Profit and Loss Account

	Note	Year ended 30 June 2001 £000	Year ended 30 June 2000 £000
Turnover:			
Group and share of joint venture	2	65,017	128,435
Less: Share of joint venture		(4,130)	(1,006)
Group turnover	3	60,887	127,429
Cost of sales (including exceptional costs of £1,750,000)	4	(51,938)	(107,058)
Gross profit		8,949	20,371
Group distribution costs		(606)	(1,821)
Group administrative expenses		(3,847)	(5,416)
Group net operating expenses		(4,453)	(7,237)
Group operating profit		4,496	13,134
Share of joint venture operating loss	2	(5,062)	(1,090)
Total operating (loss)/profit		(566)	12,044
Net interest receivable/(payable):			
Group	5	1,657	1,050
Share of joint venture		(131)	8
Profit on ordinary activities before taxation	6	960	13,102
Tax charge on profit on ordinary activities	9	(404)	(4,201)
Profit on ordinary activities after taxation		556	8,901
Dividends payable	10	(1,832)	(1,814)
Retained (loss)/profit for the financial year	21	(1,276)	7,087
Group earnings per share	12	0.7p	11.3p
Group diluted earnings per share	12	0.7p	10.8p
Adjusted earnings per share	13	5.3p	13.4p
Equity dividends per share	10	2.3p	2.3p

Statement of Total Recognised Gains and Losses

Profit for the financial year	556	8,901
Deemed disposal of interest in Amserve	-	2,420
Exchange translation differences on foreign currency net investments	42	-
Total recognised gains relating to the year	598	11,321

Consolidated Balance Sheet

	Note	30 June 2001 £000	30 June 2000 £000
Fixed assets			
Tangible assets	14	553	682
Investment in joint venture	2	-	1,578
		553	2,260
Current assets			
Stocks	16	211	1,835
Debtors	17	13,996	38,725
Cash at bank and in hand		26,887	14,494
		41,094	55,054
Creditors: amounts falling due within one year	18	(8,960)	(25,418)
Net current assets		32,134	29,636
Total assets less current liabilities		32,687	31,896
Provisions for liabilities and charges			
Share of joint venture net liabilities	2	(2,064)	-
Other provisions	19	(3,631)	(3,958)
Total net assets		26,992	27,938
Called up share capital	20	7,993	7,913
Share premium account	21	6,076	5,868
Capital reserve	21	3,618	3,618
Profit and loss account	21	9,305	10,539
Equity shareholders' funds	22	26,992	27,938

The financial statements were approved by the Board of Directors on 27 September 2001.

Sir Alan Sugar

M.A.G. Bland
Directors

Company Balance Sheet

	Note	*30 June 2001 £000*	*30 June 2000 £000*
Fixed assets			
Tangible assets	14	455	664
Investments	15	7,306	7,306
		7,761	7,970
Current assets			
Stocks	16	211	1,194
Debtors	17	18,164	49,929
Cash at bank and in hand		26,862	14,348
		45,237	65,471
Creditors: amounts falling due within one year	18	(23,959)	(45,020)
Net current assets		21,278	20,451
Total assets less current liabilities		29,039	28,421
Provisions for liabilities and charges	19	(3,631)	(3,958)
Total net assets		25,408	24,463
Called up share capital	20	7,993	7,913
Share premium account	21	6,076	5,868
Capital reserve	21	1,198	1,198
Profit and loss account	21	10,141	9,484
Equity shareholders' funds		25,408	24,463

The financial statements were approved by the Board of Directors on 27 September 2001.

Sir Alan Sugar

M.A.G. Bland
Directors

Consolidated Cash Flow Statement

	Note	*Year ended 30 June 2001 £000*	*Year ended 30 June 2000 £000*
Net cash inflow from operating activities	23	17,358	1,934
Returns on investments and servicing of finance	24	1,571	1,023
Taxation paid	24	(4,455)	(4,282)
Capital expenditure	24	(564)	(777)
Acquisitions and disposals	24	-	(801)
Equity dividends paid		(1,816)	(1,179)
Cash inflow/(outflow) before financing		12,094	(4,082)
Financing			
Issue of shares		288	206
Increase/(Decrease) in cash in the year		12,382	(3,876)

Reconciliation of net cash flow to movement in net cash

Increase/(Decrease) in cash in the year	12,382	(3,876)
Exchange translation differences	11	-
Cash at 1 July	14,494	18,370
Cash at 30 June	26,887	14,494

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 2001. 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. In the case of the joint venture, Amserve Limited, 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.

1 **Principal accounting policies** (continued)

(j) **Warranty**

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

2. Amserve

The Group's e-m@iler business is conducted in the UK through Amserve Limited ("Amserve") under an exclusive UK supply agreement with Amstrad. Dixons Group plc ("Dixons") own a 19.9% stake in Amserve. As control of Amserve is effectively shared jointly with Dixons on certain matters the business is treated as a joint venture and excluded from consolidation and is accounted for under the gross equity basis (ie: the financial statements include Amstrad's 80.1% share of Amserve's results for the year to 30 June 2001 and Amstrad's 80.1% share of the net liabilities of Amserve as at 30 June 2001).

The Group's share of the net (liabilities)/assets of Amserve is made up as follows:-

	As at 30 June 2001 £000	*As at 30 June 2000 £000*
Fixed assets	52	26
Current assets	2,681	4,396
Share of gross assets	2,733	4,422
Liabilities due within a year	(4,510)	(2,719)
Provisions	(287)	(125)
Share of gross liabilities	(4,797)	(2,844)
Share of net (liabilities)/assets	(2,064)	1,578

The e-m@iler product is sold at below cost with the loss on sale to be recouped through a share of ongoing e-mail revenue, SMS message revenue, advertising revenue and voice services revenue. As is normal with a subsidised product, in the year to 30 June 2001 initial losses from selling the e-m@iler exceeded downstream revenue from the installed base of e-m@ilers.

In the year to 30 June 2000 Amserve was treated as a 100% subsidiary in the period from 29 March 2000 (when the e-m@iler was launched) to 7 June 2000 and as a joint venture from 8 June 2000 when Dixons took a 19.9% stake in Amserve. In the full year comparative in the Profit and Loss Account on page 12 the loss attributable to Amserve is therefore made up of:

	£'000
Period to 7 June 2000 (included in group operating profit)	(1,265)
8 June 2000 to 30 June 2000 (share of joint venture)	(1,090)
Total operating loss attributable to Amserve in the year to 30 June 2000	(2,355)

During the year to 30 June 2001 Amstrad made sales of £8,648,000 (2000: £4,218,000) to Amserve and made other cost recharges of £1,660,000 including interest of £197,000 (2000: £580,000 including interest of £ nil) to Amserve. As at 30 June 2001 Amstrad had a £1,259,000 (2000: £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 2001 £000	*Year ended 30 June 2000 £000*
United Kingdom	52,783	118,755
Mainland Europe	4,505	2,466
Other Countries	3,599	6,208
	60,887	127,429

4. Exceptional costs

Exceptional costs of £1,750,000 (2000: £nil) represent a provision made in relation to the GSM phones business where the Board has concluded that the likelihood of generating revenue from this business in the medium term is remote.

5. Net interest receivable - group

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
Interest receivable from bank	1,499	1,050
Interest receivable from joint venture	158	-
	1,657	1,050

6. Profit on ordinary activities before taxation

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

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
Depreciation of owned tangible fixed assets	709	772
Profit on sale of tangible fixed assets	(16)	-
Research and development expenditure	1,298	2,119
Operating leases: land and buildings	175	147
Auditors' remuneration and expenses - audit	31	31
Auditors' remuneration and expenses - taxation	99	68
Directors' emoluments	1,072	1,146

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 8 and 9.

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 :-

	Year ended 30 June 2001 No.	*Year ended 30 June 2000 No.*
Administration	20	23
Sales and marketing	3	5
Warehousing, service and distribution	4	5
Technical and product management	36	38
	63	71

8 Staff numbers and costs (continued)

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

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
Wages and salaries, including bonuses	2,895	3,021
Social security costs	241	288
	3,136	3,309

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

	30 June 2001			
	Total before Amserve £000	*Amserve £000*	*Total £000*	*30 June 2000 £000*
Tax based on the profit/(loss) on ordinary activities for the year:				
UK Corporation tax at 30% (2000: 30%)	(94)	-	(94)	(4,049)
Group relief at 30% relating to Amserve	(1,938)	-	(1,938)	(404)
Prior year adjustment	181	-	181	-
Overseas tax	(105)	-	(105)	(72)
Share of tax credit of joint venture	-	1,552	1,552	324
	(1,956)	1,552	(404)	(4,201)

The joint venture tax credit of £1,552,000 represents the Group's share of the tax credit recorded in Amserve Ltd on the surrender of its losses to the Group. The tax credit of £181,000 arises on the release of corporation tax provisions which are no longer required to be held in respect of prior years.

10. Dividends

The directors propose a final dividend of 1.5p (2000: 1.5p) per share, which together with the interim dividend of 0.8p (2000: 0.8p) per ordinary share paid on 6 April 2001 makes a total distribution of 2.3p (2000: 2.3p) per ordinary share in respect of the year ended 30 June 2001.

11. 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 £2.5 million (2000: £8.6 million).

12. Earnings per share and diluted earnings per share

The earnings per share is based on the profit for the year after taxation of £556,000 (2000: £8,901,000) and on the average number of shares in issue during the year of 79,386,097 (2000: 78,762,227). Diluted earnings per share is based on the same earnings figure as above and 82,153,421 (2000: 82,413,962) 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. Adjusted earnings per share

Adjusted earnings per share excludes the losses of Amserve and is therefore based upon earnings of £4,197,000 (2000: £10,544,000) and 79,386,097 (2000: 78,762,227) ordinary shares being the average number of shares in issue during the year.

14. Tangible fixed assets

	Motor vehicles £000	Fixtures fittings tools and equipment £000	Total £000
Group			
Cost			
At 1 July 2000	400	1,400	1,800
Additions	237	471	708
Disposals	(266)	(263)	(529)
At 30 June 2001	371	1,608	1,979
Depreciation			
At 1 July 2000	195	923	1,118
Charge for the year	95	614	709
Disposals	(138)	(263)	(401)
At 30 June 2001	152	1,274	1,426
Net book value			
At 30 June 2001	219	334	553
At 30 June 2000	205	477	682
Company			
Cost			
At 1 July 2000	400	1,364	1,764
Additions	237	371	608
Disposals	(266)	(259)	(525)
At 30 June 2001	371	1,476	1,847
Depreciation			
At 1 July 2000	195	905	1,100
Charge for the year	95	594	689
Disposals	(138)	(259)	(397)
At 30 June 2001	152	1,240	1,392
Net book value			
At 30 June 2001	219	236	455
At 30 June 2000	205	459	664

15. Investments

Company

Investments of the Company at 30 June 2001 comprise shares in subsidiary undertakings at cost of £7,306,000 (2000: £7,306,000). During the financial year the trade of two subsidiary undertakings, Amstrad Consumer Products Limited and Amstrad Satellite Products 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

As referred to in note 2 Amserve Limited is treated as a joint venture and excluded from consolidation and is accounted for under the gross equity basis. The other subsidiaries listed above have been consolidated in the Group's financial statements.

16. Stocks

	Group		*Company*	
	30 June 2001 £000	*30 June 2000 £000*	*30 June 2001 £000*	*30 June 2000 £000*
Raw materials and consumables	211	76	211	9
Finished goods and goods for resale	-	1,759	-	1,185
	211	1,835	211	1,194

17. Debtors

	Group		*Company*	
	30 June 2001 £000	*30 June 2000 £000*	*30 June 2001 £000*	*30 June 2000 £000*
Trade debtors	8,047	34,062	8,047	33,961
Amounts due from Amserve	5,090	2,962	5,090	2,962
Amounts due from other subsidiary undertakings	-	-	3,835	11,144
Other debtors	24	253	24	253
Prepayments and accrued income	336	1,414	328	1,406
Corporation tax recoverable	168	34	-	54
Group relief receivable	-	-	509	149
Other taxes	331	-	331	-
	13,996	38,725	18,164	49,929

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

18. Creditors: amounts falling due within one year

	Group		Company	
	30 June 2001 £000	*30 June 2000 £000*	*30 June 2001 £000*	*30 June 2000 £000*
Trade creditors	2,704	11,961	2,657	11,877
Amount due to Amserve	1,259	784	-	-
Amounts owed to other subsidiary undertakings	-	-	16,043	23,283
Corporation tax payable	-	2,934	460	223
Overseas tax payable	178	78	-	-
Other taxes and social security	110	4,087	110	4,087
Accruals and deferred income	3,510	4,391	3,490	4,367
Dividend payable	1,199	1,183	1,199	1,183
	8,960	25,418	23,959	45,020

19. 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 2000	2,359	1,599	3,958
Provided in the year	735	1,750	2,485
Released in the year	(771)	(994)	(1,765)
Utilised in the year	(712)	(335)	(1,047)
At 30 June 2001	1,611	2,020	3,631

It is expected that all of the costs provided for will be incurred within two years of the balance sheet date.
The amount of potential deferred tax assets not recognised for the Group and Company are £587,000 (2000: £968,000), split between fixed asset timing differences £374,000 (2000: £401,000) and other short term timing differences £213,000 (2000: £567,000).

20. Called up share capital

	30 June 2001		*30 June 2000*	
	No.	*£000*	*No.*	*£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	79,929,659	7,993	79,129,659	7,913

During the year 800,000 shares were issued in respect of share options exercised for a total consideration of £287,600.

20. Called up share capital (continued)

The following options to subscribe for shares have been granted and were outstanding at 30 June 2001 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	21,177	51.0p	14.03.00	14.03.04
14 March, 1997	58,823	51.0p	14.03.00	14.03.07
19 December, 1997	1,251,452	31.0p	19.12.00	19.12.04
19 December, 1997	498,548	31.0p	19.12.00	19.12.07
05 October, 1998	650,000	30.0p	05.10.01	05.10.05
05 October, 1998	250,000	30.0p	05.10.01	05.10.08
05 October, 1998	40,000	30.0p	01.04.01	30.03.02
20 October, 1999	88,398	106.0p	20.10.02	20.10.06
20 October, 1999	221,602	106.0p	20.10.02	20.10.09
20 October, 1999	50,000	106.0p	01.04.01	20.04.03
19 April, 2000	123,216	224.0p	19.04.03	19.04.07
19 April, 2000	26,784	224.0p	19.04.03	19.04.10
19 April, 2000	15,000	224.0p	01.04.01	19.10.03
1 November, 2000	20,000	166.5p	01.11.03	01.11.07
27 March ,2001	170,847	59.0p	27.03.04	27.03.08
27 March, 2001	54,153	59.0p	27.03.04	27.03.11

Details of directors' share options are disclosed in the Report of the Board on Directors' Remuneration on pages 8 and 9.

21. Share premium and reserves

	Share premium account £000	*Capital reserve £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 July 2000	5,868	3,618	10,539	20,025
Premium on shares issued during the year	208	-	-	208
Loss retained for the financial year	-	-	(1,276)	(1,276)
Currency translation differences on foreign currency net investments	-	-	42	42
At 30 June 2001	6,076	3,618	9,305	18,999
Accumulated goodwill written off against reserves	-	-	4,353	4,353
Company				
At 1 July 2000	5,868	1,198	9,484	16,550
Premium on shares issued during the year	208	-	-	208
Profit retained for the financial year	-	-	657	657
At 30 June 2001	6,076	1,198	10,141	17,415

22. Reconciliation of movements in shareholders' funds

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
At 1 July	27,938	18,225
Shares issued during the year	288	206
Gain on deemed disposal of interest in Amserve	-	2,420
Profit for the year	556	8,901
Exchange translation differences	42	-
Dividends	(1,832)	(1,814)
At 30 June	26,992	27,938

23. Net cash inflow from operating activities

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
Operating profit (excluding Amserve)	4,496	14,399
Exchange translation differences	37	-
Depreciation	709	772
Profit on sale of tangible fixed assets	(16)	-
Decrease in stocks	1,624	972
Decrease/(Increase) in debtors	24,960	(20,622)
(Decrease)/Increase in creditors	(14,125)	6,426
Decrease in provisions	(327)	(13)
Net cash inflow from operating activities	17,358	1,934

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

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
a. Returns on investments and servicing of finance		
Interest received	1,571	1,023
b. Taxation paid		
UK corporation tax paid	(2,979)	(4,281)
Group relief paid to joint venture	(1,463)	-
Overseas tax paid	(13)	(1)
	(4,455)	(4,282)

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

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
c. Capital expenditure		
Purchase of tangible fixed assets	(708)	(792)
Sale of tangible fixed assets	144	15
Net cash outflow from capital expenditure	(564)	(777)

d. Acquisition and disposals

Investment in joint venture	-	(801)

The investment in joint venture related to the investment in Amserve Limited.

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 2000.

(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 2001 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.

25. Financial instruments (continued)

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

	30 June 2001 £000	*30 June 2000 £000*
Sterling	23,420	8,499
US Dollar	3,440	5,849
Other Currencies	27	146
	26,887	14,494

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 2001 the Group had an unsecured overdraft facility of £3.0m.

As at 30 June 2001 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 2001 the net US dollar liability was £0.6m (2000: £4.6m liability) which was fully covered at the Balance Sheet date by forward foreign currency contracts. As at 30 June 2001 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 2001 the Group had forward foreign exchange contracts totalling $4m covering certain US dollar denominated purchasing commitments in the new financial year. As at 30 June 2001 there was no material difference between the exchange rates in these forward contracts and the closing exchange rate on 30 June 2001.

26. Financial commitments

(a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (2000: £nil). There were no other contracted commitments, other than those provided in the financial statements (2000: £nil).

(b) Operating lease commitments

At 30 June 2001 the Group had annual commitments under operating leases relating to land and buildings as follows :-

	Year ended 30 June 2001 £000	*Year ended 30 June 2000 £000*
Expiring between two and five years inclusive	175	175

27. Related party transactions

Amstrad plc rents office space in Brentwood from Amsprop Trading Limited ("Amsprop"), a company controlled by Sir Alan Sugar. The leases with Amsprop run from 3 June 2000 for ten years with five year break clauses. As part of the process last year of agreeing lease terms the Company obtained independent third party confirmation that the rent payable under the leases had been set at the market rate for the type of property and location. During the year rent of £175,000 (2000: £147,000) was paid to Amsprop.

During the year the Company purchased from Learning Technology plc, a company controlled by Sir Alan Sugar, computer equipment with a total value of £715 (2000: £19,456).

During the year £1,167 (2000: £21,622) 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 13% 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.

28. Contingent liability

The Company is subject to litigation in relation to the alleged infringement of a patent on one of it's products. On the basis of the information available, the Board of Directors is satisfied that no provision is necessary in the financial statements for the year ended 30 June 2001.

29. Post balance sheet event

In order to recapitalise Amserve Limited and fund the future growth of the e-m@iler business, Amstrad will subscribe for £12 million in additional shares in Amserve which will be issued on 27 September 2001. As a result Dixons shareholding in Amserve will be diluted from 19.9% to 10.2%.

Financial record

Turnover:	Year ended 30 June 2001 £000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000	Year ended 30 June 1998 £000	Year ended 30 June 1997 £000
Group and share of joint venture	65,017	128,435	94,117	53,289	43,075
Less: share of joint venture	(4,130)	(1,006)	-	-	-
Group turnover	60,887	127,429	94,117	53,289	43,075
Gross profit	8,949	20,371	15,852	7,279	7,233
Net operating expenses	(4,453)	(7,237)	(7,799)	(7,440)	(5,385)
Operating profit/(loss) before exceptional items	4,496	13,134	8,053	(161)	1,848
Exceptional costs	-	-	-	(888)	-
Share of joint venture operating loss	(5,062)	(1,090)	-	-	-
Total operating (loss)/profit	(566)	12,044	8,053	(1,049)	1,848
Profit on disposal of business in continuing activities	-	-	729	-	-
Net interest receivable/(payable)	1,526	1,058	300	(87)	(186)
Profit/(Loss) before taxation	960	13,102	9,082	(1,136)	1,662
Taxation	(404)	(4,201)	(3,236)	112	(225)
Profit/(Loss) after taxation	556	8,901	5,846	(1,024)	1,437
Dividends	(1,832)	(1,814)	(781)	(387)	(365)
Retained (loss)/profit for the year	(1,276)	7,087	5,065	(1,411)	1,072
Earnings/(Loss) per share	0.7p	11.3p	7.5p	(1.33p)	2.12p
Adjusted earnings/(loss) per share	5.3p	13.4p	7.5p	(1.33p)	2.12p
Dividends per share	2.3p	2.3p	1.0p	0.5p	0.5p
Capital employed					
Fixed assets	553	2,260	677	790	830
Net operating assets	26,439	25,678	17,548	11,082	11,691
Net assets	26,992	27,938	18,225	11,872	12,521
Financed by					
Share capital	7,993	7,913	7,825	7,767	7,687
Reserves and share premium	18,999	20,025	10,400	4,105	4,834
Equity shareholders' funds	26,992	27,938	18,225	11,872	12,521

Notice of meeting

NOTICE IS HEREBY GIVEN that the thirteenth Annual General Meeting of the Company will be held at the Mary Green Manor Hotel, London Road, Brentwood, Essex CM14 4NR on Tuesday 27 November 2001 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 2001 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. M.A.G. Bland who retires by rotation (Note 1).
4. To re-elect Mr. J.E. Samson, 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 £819,313 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 this 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 £399,648,

   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 M.A.G. Bland was appointed Finance Director on 11 August 1997. He has worked for Amstrad plc for 7 years. Details of Mr M.A.G. Bland's service contract are set out in the Report of the Board on Directors' Remuneration on page 8.

2. Mr J.E. Samson was appointed a Non-Executive Director on 21 October 1997. Details of Mr J.E. Samson's contract are set out in the Report of the Board on Directors' Remuneration on page 8. A profile of Mr J.E. Samson is set out on Page 1.

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 25 November 2001 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 25 November 2001 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 27 September 2001 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 27 September 2001

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 27 November 2001 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 2001 and the directors' and auditors' reports thereon	☐	☐
2. To declare a final dividend of 1.5p per ordinary share	☐	☐
3. To re-elect Mr. M.A.G. Bland as a director	☐	☐
4. To re-elect Mr. J.E. Samson 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 form 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.