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Amstrad

Always Innovating

Amstrad plc

Annual Report & Accounts 2001/2002

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COMPANIES HOUSE 03/12/02

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Contents

Directors and Advisers

Directors	Sir Alan Sugar DSc	Chairman & CEO
	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 74, 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 Valor plc between 1989 and 1991. He also serves on the boards of a number of charities.

Ms. M. R. Mountford, aged 50, 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 Evolution Beeson Gregory Limited, The Registry, Royal Mint Court, London EC3N 4EY

Registered Auditors Deloitte & Touche, Chartered Accountants, London

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 2002.

Amstrad Business

The Amstrad business made a profit before tax of £4.2m (2001: £6.2m) on sales of £35.4m (2001: £60.9m). Earnings per share from the Amstrad business were 3.7p (2001: 5.3p).

Amserve Business (E-m@ilers)

Amserve's loss before tax attributable to the Group was £6.0m (2001: £5.2m) on sales of £4.8m (2001: £4.1m).

At the beginning of the financial year Amserve was 80.1% owned by Amstrad and 19.9% owned by Dixons Group plc. In order to re-capitalise Amserve and fund the future growth of the e-m@iler business Amstrad subscribed £12m for additional shares in Amserve on 27 September 2001. As a result Dixons' shareholding in Amserve was diluted from 19.9% to 10.2% which gave rise to £1.5m of goodwill in the Group Balance Sheet. Following this change in shareholding, as from 27 September 2001, Amserve is being consolidated as a subsidiary rather than accounted for as a joint venture.

Group

The Group as a whole, including Amserve, reported a loss before tax of £1.8m (2001: £1.0m profit) on sales of £40.2m (2001: £65.0m). The loss per share was 1.8p (2001: 0.7p earnings per share).

The Board of Directors recommend a final dividend of 1.5p (2001: 1.5p) per ordinary share to be paid on 6 December 2002 to shareholders on the register on 4 October 2002 which together with the interim dividend of 0.8p (2001: 0.8p) paid on 8 April 2002 makes a total distribution of 2.3p (2001: 2.3p) per ordinary share in respect of the year ended 30 June 2002.

The Group balance sheet remains strong with net assets of £24.1m (2001: £27.0m) of which £22.6m (2001: £26.9m) was cash. As referred to above the Amserve business is now consolidated as a subsidiary and therefore the Group stock figure of £4.9m (2001: £0.2m) now includes the 'e-m@iler plus' stock held by Amserve.

Operating Review

Amstrad Business

Sales of digital decoders ("set top boxes") to BSkyB were at a lower level than in previous years as BSkyB's conversion of existing analogue customers to digital has now been completed. The focus continues to be on reducing the cost of the set top box and in September 2002 a new lower cost box, manufactured in the Far East, was launched. The Company has orders in place with BSkyB for the whole of the current financial year.

After a slow start to the financial year the Hong Kong business has had a successful second half selling, on a direct shipment basis, audio products mainly to the US market.

Amserve Business

Since the e-m@ilers' launch in March 2000, Amserve has sold all of the first generation model that were built. On 6 February 2002 we launched the second generation e-m@iler, the 'e-m@iler plus'. As well as e-mail, sms and the other functions included in the first generation model, the 'e-m@iler plus' features quick and easy internet access and also includes access to a selection of classic Sinclair Spectrum games which can be downloaded and played on the unit's upgraded screen.

The Company supported the 'e-m@iler plus' launch with a national £2.2 million television advertising campaign which ran during the March 2002 to May 2002 period. The product has achieved very wide distribution, being sold by most high street electrical retailers and mail order outlets. In what is seasonally a quiet time of year for electronic products approximately 26,000 'e-m@iler plus' units had been registered by consumers by 30 June 2002.

Chairman's Statement (continued)

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 usage of the e-m@iler. Based on its current retail price the new model has a significantly lower loss on sale per unit than the previous version and the cost per unit will fall further on future production as our focus remains on reducing the cost of this product.

As with the first model, Amserve receives ongoing revenue from e-mail, sms, advertising and voice services, as well as new revenue from internet access and games usage. The service and technology platform for the 'e-m@iler plus' is provided by Thus plc and this arrangement results in Amserve receiving a far greater share of e-mail revenue than with the first generation model.

In the last few months a number of new and profitable voice service customers have signed up which has increased the services offered on the phone. New advertising customers have also been obtained reflecting the increasing attractiveness of the e-m@iler as an advertising medium as the installed base grows.

New software that enhances the functionality of the e-m@iler and increases revenue opportunities continues to be developed and downloaded to existing e-m@iler and 'e-m@iler plus' customers.

Outlook

On the Amstrad side of the business we will continue to work with BSkyB to develop opportunities in the digital satellite TV market.

In Amserve our focus remains on increasing the installed base of e-m@ilers and enhancing future profitability through reducing manufacturing costs and adding new revenue sources. As we are looking for growth of the installed base the initial losses will continue but the future profit potential of the Amserve business will increase. In simple terms Amserve will start reporting a profit when the ongoing income from the installed base exceeds the initial losses on new phones sold.

Sir Alan Sugar
Chairman
25 September 2002

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 2002 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 four 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.

Following the resignation of Mr. R. J. Watkins on 1 October 2001 the roles of Chairman and CEO have been combined. The Board considers this appropriate given the size and nature of activities of the Company.

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.

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 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 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 2002.

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 ("Amserve") which receives ongoing downstream revenue derived from usage of the e-m@iler product. Amserve is 89.8% owned by Amstrad and 10.2% owned by Dixons Group plc ("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 loss for the year on ordinary activities before tax was £1.8m (2001: £1.0m profit). The loss before tax for the year was made up of a profit of £4.2m (2001: £6.2m) from the main Amstrad business and a loss before tax of £6.0m (2001: £5.2m) from Amserve. In the consolidated profit and loss account on page 12 the results of Amserve attributable to the Group have been shown as a separate column.

An interim dividend of 0.8p per share was paid to the shareholders on 8 April 2002 (2001: 0.8p). The directors recommend the payment of a final dividend of 1.5p per share (2001: 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 5 to the financial statements.

Share capital

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

Directors and their interests

The present membership of the Board is set out on page 1. Mr R. J. Watkins resigned from the Board on 1 October 2001. All of the other directors served throughout the year. In accordance with the Articles of Association of the Company, Sir Alan Sugar and Ms. M.R. Mountford 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 26 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.

Report of the Directors (continued)

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 2002 or at 18 September 2002 save as disclosed below:

	30 June 2002		*18 September 2002*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Amshold Limited (*)	23,026,313	28.8%	23,026,313	28.8%
Schroders plc (†)	7,339,720	9.2%	7,104,900	8.9%
Herald Investment Trust	6,051,597	7.6%	6,051,597	7.6%

* Amshold Limited is owned by Sir Alan Sugar
† As discretionary fund manager

Political and charitable donations

Charitable donations of £69,103 were made during the year (2001: £64,103). No political donations were made during the year (2001: £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 2002 was 42 days (2001: 30 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

25 September 2002

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 his or her 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 performance targets.

Directors' emoluments
The emoluments of the directors for the year ended 30 June 2002 were as follows :-

	Salary/ Fees £000	*Bonus Payments £000*	*Benefits in kind £000*	*Compensation for loss of Office £000*	*Total for year ended 30 June 2002 £000*	*Total for year ended 30 June 2001 £000*
Sir Alan Sugar (Chairman)	325	-	-	-	325	325
R.J. Watkins	73	-	10	270	353	294
M.A.G. Bland	105	16	14	-	135	124
I.P. Saward	121	18	14	-	153	128
S.Sugar	126	31	12	-	169	151
J.E. Samson - non executive director	25	-	-	-	25	25
M.R. Mountford - non executive director	25	-	-	-	25	25
	800	65	50	270	1,185	1,072

Mr R J Watkins, who had a continuous service contract subject to 12 months' notice by either party at any time, resigned from the Board on 1 October 2001. He was paid £270,000, representing 12 months salary, as compensation for loss of office.

The Company made no pension contributions to directors in the year (2001: £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 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 2002. Other than Sir Alan Sugar's interests as disclosed in note 26 to the financial statements, the Company has not been informed of any contract during the year in which any director of the Company had a material interest.

Report of the Board on Directors' Remuneration (continued)

Directors and their shareholdings

The directors of the Company as at 30 June 2002 had the following interests in the shares of Amstrad plc :

	Ordinary shares of 10p each	
	30 June 2002	*1 July 2001*
Sir Alan Sugar	23,026,313	23,026,313
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

Sir Alan Sugar's interest is held by Amshold Limited, a company owned by Sir Alan Sugar.

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 2001	30 June 2002	Exercise Price	Exercise Period From	To
R. J. Watkins (resigned 1 October 2001)	653,226	653,226	31.0p	19.12.00	01.10.02
	96,774	96,774	31.0p	19.12.00	01.10.02
M.A.G. Bland	375,000	375,000	31.0p	19.12.00	19.12.04
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	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 2002 was 34.5p (2001: 50p). The highest mid-market price during the year was 58.5p and the lowest 31.5p.

Statement of Directors' Responsibilities

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

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for 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 2002 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 26. 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 2002 and of the loss 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
London

25 September 2002

Consolidated Profit and Loss Account

	Note	Year ended 30 June 2002			Year ended 30 June 2001
		Total before Amserve £000	*Amserve £000*	*Total £000*	*Group £000*
Turnover:					
Group and share of joint venture	2	35,440	4,764	40,204	65,017
Less: Share of joint venture		-	(474)	(474)	(4,130)
Group turnover	3	35,440	4,290	39,730	60,887
Cost of sales		(28,045)	(4,483)	(32,528)	(51,938)
Gross profit/(loss)		7,395	(193)	7,202	8,949
Group distribution costs		(236)	(3,324)	(3,560)	(606)
Group administrative expenses		(3,929)	(2,063)	(5,992)	(3,847)
Group net operating expenses		(4,165)	(5,387)	(9,552)	(4,453)
Group operating profit/(loss)		3,230	(5,580)	(2,350)	4,496
Share of joint venture operating loss	2	-	(571)	(571)	(5,062)
Total operating profit/(loss)		3,230	(6,151)	(2,921)	(566)
Net interest receivable/(payable):					
Group	4	1,026	160	1,186	1,657
Share of joint venture		-	(50)	(50)	(131)
Profit/(Loss) on ordinary activities before taxation	5	4,256	(6,041)	(1,785)	960
Tax charge on (loss)/profit on ordinary activities	8			(50)	(404)
(Loss)/Profit on ordinary activities after taxation				(1,835)	556
Minority interest				386	-
(Loss)/Profit attributable to shareholders				(1,449)	556
Dividends payable	9			(1,839)	(1,832)
Retained loss for the financial year	20			(3,288)	(1,276)
Group (loss)/earnings per share	11			(1.8)p	0.7p
Group diluted (loss)/earnings per share	11			(1.8)p	0.7p
Adjusted earnings per share (excluding Amserve)	12			3.7p	5.3p
Equity dividends per share	9			2.3p	2.3p

Statement of Total Recognised Gains and Losses

	2002	2001
(Loss)/ Profit for the financial year	(1,449)	556
Exchange translation differences on foreign currency net investments	(80)	42
Total recognised (losses)/gains relating to the year	(1,529)	598

The turnover and operating results all relate to continuing operations.

Consolidated Balance Sheet

	Note	*30 June 2002 £000*	*30 June 2001 £000*
Fixed assets			
Intangible assets	2	1,295	-
Tangible assets	13	551	553
		1,846	553
Current assets			
Stocks	15	4,864	211
Debtors	16	7,565	13,996
Cash at bank and in hand		22,617	26,887
		35,046	41,094
Creditors: amounts falling due within one year	17	(9,748)	(8,960)
Net current assets		25,298	32,134
Total assets less current liabilities		27,144	32,687
Provisions for liabilities and charges			
Share of joint venture net liabilities	2	-	(2,064)
Other provisions	18	(3,040)	(3,631)
Total net assets		24,104	26,992
Called up share capital	19	7,997	7,993
Share premium account	20	6,084	6,076
Capital reserve	20	3,618	3,618
Profit and loss account	20	5,937	9,305
Equity shareholders' funds	21	23,636	26,992
Minority interest	2	468	-
		24,104	26,992

The financial statements were approved by the Board of Directors on 25 September 2002.

Sir Alan Sugar

M.A.G. Bland
Directors

Company Balance Sheet

	Note	*30 June 2002 £000*	*30 June 2001 £000*
Fixed assets			
Tangible assets	13	380	455
Investments	14	19,306	7,306
		19,686	7,761
Current assets			
Stocks	15	255	211
Debtors	16	7,616	18,164
Cash at bank and in hand		22,134	26,862
		30,005	45,237
Creditors: amounts falling due within one year	17	(22,256)	(23,959)
Net current assets		7,749	21,278
Total assets less current liabilities		27,435	29,039
Provisions for liabilities and charges	18	(2,664)	(3,631)
Total net assets		24,771	25,408
Called up share capital	19	7,997	7,993
Share premium account	20	6,084	6,076
Capital reserve	20	1,198	1,198
Profit and loss account	20	9,492	10,141
Equity shareholders' funds		24,771	25,408

The financial statements were approved by the Board of Directors on 25 September 2002.

Sir Alan Sugar

M.A.G. Bland
Directors

Consolidated Cash Flow Statement

	Note	*Year ended 30 June 2002 £000*	*Year ended 30 June 2001 £000*
Net cash (outflow)/inflow from operating activities	22	(2,915)	17,358
Returns on investments and servicing of finance	23	1,251	1,571
Taxation paid	23	(578)	(4,455)
Capital expenditure	23	(220)	(564)
Acquisitions and disposals	2	21	-
Equity dividends paid		(1,839)	(1,816)
Cash (outflow)/inflow before financing		(4,280)	12,094
Financing			
Issue of shares		12	288
(Decrease)/Increase in cash in the year		(4,268)	12,382

Reconciliation of net cash flow to movement in net cash

(Decrease)/Increase in cash in the year	(4,268)	12,382
Exchange translation differences	(2)	11
Cash at 1 July	26,887	14,494
Cash at 30 June	22,617	26,887

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 United Kingdom accounting standards. Compliance with FRS 2 "Accounting for Subsidiaries" requires departure from the requirements of the Companies Act 1985 relating to the calculation of goodwill on the acquisition of a subsidiary. An explanation of the departure is given in note 2 below.

(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 2002. In line with FRS10 (Goodwill and intangible assets) goodwill arising on consolidation is capitalised and amortised over its estimated useful life. 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.

(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 in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1 **Principal accounting policies** (continued)

(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 is 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**
The Group's e-m@iler business is conducted in the UK through Amserve Limited ("Amserve") under an exclusive UK supply agreement with Amstrad. Until 27 September 2001 Dixons Group plc ("Dixons") owned a 19.9% stake in Amserve. On 27 September 2001 Amstrad subscribed £12 million for additional shares in Amserve and as a result Dixons shareholding in Amserve was diluted from 19.9% to 10.2%. This transaction gave rise to goodwill of £1.5 million in the Group balance sheet which is being amortised over a period of five years. The movement in goodwill during the year was as follows:

	£000
As at 1 July 2001	-
Goodwill arising on purchase of additional shares in Amserve	1,523
Goodwill amortisation	(228)
As at 30 June 2002	1,295

The goodwill has been calculated in accordance with FRS 2 (Accounting for subsidiaries) which requires departure from the Companies Act 1985 ("The Act") in that to show a true and fair view, goodwill should be calculated on a piecemeal basis taking, for each tranche of shares acquired, the cost of that tranche compared with the related share of net assets at fair value when acquired.

This methodology is different to The Act which requires that goodwill on acquisition of a subsidiary be calculated as a one stage calculation by considering the difference between the fair value of all identifiable assets and liabilities and the aggregate consideration paid by the date that control passes and the entity is consolidated into the Group balance sheet. This is not considered to be prudent and show a true and fair view and therefore as stated above the goodwill has been calculated in accordance with FRS 2 rather than the Act.

Had goodwill been calculated on the basis as stated in the Act, goodwill of £4,817,000 would have been generated rather than £1,523,000. As at 30 June 2002, the effect on the balance sheet would have been to increase intangible assets by £2,799,000 and the effect on the profit and loss account would have been to increase goodwill amortisation by £495,000.

Until 27 September 2001 the Amserve business was treated as a joint venture and excluded from consolidation and accounted for under the gross equity basis. From 27 September 2001 Amserve has been consolidated into the Group results and into the Group balance sheet as at 30 June 2002. In the consolidated profit and loss account on page 12 the results of Amserve attributable to the Group have been shown as a separate column. In this column, in accordance with standard reporting practice, the results of Amserve while it was accounted for as a joint venture are shown separately to the results relating to the period when it was consolidated as a subsidiary.

2. Amserve (continued)

The net asset and cash flow impact of the additional investment in Amserve was as follows:

	£000's
Fixed assets	92
Stocks	862
Debtors	1,795
Cash	21
Creditors	(5,692)
Provisions	(197)
Amserve's net liabilities pre the additional investment	(3,119)
New Amserve shares allotted for cash	12,000
Amserve's net assets post the additional investment	8,881
Group's share of Amserve's net liabilities pre the additional investment	(2,498)
Group's share of Amserve's net assets post the additional investment	7,979
Change in Group's share of Amserve's net assets	10,477
Goodwill arising on consolidation	1,523
	12,000
Satisfied by:	
Cash	12,000

As referred to above Amserve was consolidated into the Group results and Group balance sheet from the date of the additional investment and from that date had a net cash outflow from operating activities of £8.3m, received £0.2m in respect of interest and utilised £0.1m for capital expenditure.

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 2002 £000	*Year ended 30 June 2001 £000*
United Kingdom	33,696	52,783
USA	3,657	1,429
Mainland Europe	1,757	4,505
Other Countries	620	2,170
	39,730	60,887

4. Net interest receivable - group

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
Interest receivable from bank	1,120	1,499
Interest receivable from joint venture	66	158
	1,186	1,657

5. (Loss)/Profit on ordinary activities before taxation

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

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
Depreciation of owned tangible fixed assets	328	709
Goodwill amortisation	228	-
Profit on sale of tangible fixed assets	(19)	(16)
Research and development expenditure	1,628	1,298
Operating leases: land and buildings	175	175
Auditors' remuneration and expenses - audit	49	31
Auditors' remuneration and expenses – taxation and interim review	96	99
Directors' emoluments	1,185	1,072

As from 27 September 2001 Amserve Limited ("Amserve") has been consolidated into the Group results and therefore the costs of Amserve are included in the above from that date.

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 8 and 9.

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 2002 No.	*Year ended 30 June 2001 No.*
Administration	22	20
Sales and marketing	4	3
Warehousing, service and distribution	3	4
Technical and product management	40	36
	69	63

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

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
Wages and salaries, including bonuses	3,114	2,895
Compensation for loss of office	270	-
Social security costs	313	241
	3,697	3,136

As from 27 September 2001 Amserve Limited ("Amserve") has been consolidated into the Group results and therefore the costs of Amserve are included in the above from that date.

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

	30 June 2002 £000	*30 June 2001 £000*
Tax based on the (loss)/profit on ordinary activities for the year:		
UK Corporation tax at 30% (2001: 30%)	-	(94)
Group relief at 30% relating to Amserve	-	(1,938)
Prior year adjustment	19	181
Overseas tax	(69)	(105)
Share of tax credit of joint venture	-	1,552
	(50)	(404)

A deferred tax asset has not been recognised in respect of fixed asset timing differences of £363,000 (2001: £374,000) and other short term timing differences of £813,000 (2001:£213,000). These assets would only be recognised if in future they reverse in the same periods and entity in which suitable taxable profits arise.

The tax charge for the year differs from the tax credit which would result by applying the standard rate of corporation tax in the UK of 30% (2001: 30%) as explained below:

	30 June 2002 £000	*30 June 2001 £000*
Profit/(loss) on ordinary activities at the standard rate of corporation tax of 30%	535	(288)
Effects of:		
Expenses not deductable for tax purposes	(119)	(23)
Capital allowances in excess of depreciation	34	(108)
Movement in short term timing differences	(519)	(166)
Adjustments in respect of prior periods	19	181
Current tax charge	(50)	(404)

9. Dividends

The directors propose a final dividend of 1.5p (2001: 1.5p) per share, which together with the interim dividend of 0.8p (2001: 0.8p) per ordinary share paid on 8 April 2002 makes a total distribution of 2.3p (2001: 2.3p) per ordinary share in respect of the year ended 30 June 2002.

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 £1.2 million (2001: £2.5 million).

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

The loss per share is based on the loss for the year attributable to shareholders of £1,449,000 (2001: £556,000 profit) and on the average number of shares in issue during the year of 79,950,371 (2001: 79,386,097). As the Group has reported a loss the diluted loss per share is equal to the loss per share as it is based on the same loss figure and the same number of shares. The comparative diluted earnings per share figure for 2001 was based on the 2001 earnings figure and 82,153,421 ordinary shares allowing for the potential exercise of outstanding share purchase options exercisable at a price below the average fair value during that year.

12. Adjusted earnings per share (excluding Amserve)

Adjusted earnings per share excludes the losses of Amserve Limited and is therefore based upon earnings of £2,958,000 (2001: £4,197,000) and 79,950,371 (2001: 79,386,097) ordinary shares being the average number of shares in issue during the year.

13. Tangible fixed assets

	Motor Vehicles £000	Fixtures fittings tools and equipment £000	Total £000
Group			
Cost			
At 1 July 2001	371	1,608	1,979
Exchange adjustment	-	(11)	(11)
Consolidation of Amserve's fixed assets (note 2)	105	17	122
Additions	-	290	290
Disposals	(104)	(611)	(715)
At 30 June 2002	372	1,293	1,665
Depreciation			
At 1 July 2001	152	1,274	1,426
Exchange adjustment	-	(6)	(6)
Consolidation of Amserve's depreciation (note 2)	20	10	30
Charge for the year	93	235	328
Disposals	(54)	(610)	(664)
At 30 June 2002	211	903	1,114
Net book value			
At 30 June 2002	161	390	551
At 30 June 2001	219	334	553
Company			
Cost			
At 1 July 2001	371	1,476	1,847
Additions	-	202	202
Disposals	(104)	(611)	(715)
At 30 June 2002	267	1,067	1,334
Depreciation			
At 1 July 2001	152	1,240	1,392
Charge for the year	73	153	226
Disposals	(54)	(610)	(664)
At 30 June 2002	171	783	954
Net book value			
At 30 June 2002	96	284	380
At 30 June 2001	219	236	455

14. Investments

Company

Investments of the Company at 30 June 2002 comprise shares in subsidiary undertakings at cost of £19,306,000 (2001: £7,306,000). During the financial year the trade of the subsidiary undertaking, Amstrad Satellite Products Limited, was conducted by Amstrad plc which is the appointed agent of this subsidiary undertaking. 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	89.8%	United Kingdom
Amstrad Satellite Products Limited	100%	United Kingdom
Amstrad International Limited	100%	Hong Kong

As referred to in note 2 Amserve Limited was treated as a joint venture up to 27 September 2001 and excluded from consolidation and accounted for under the gross equity basis and from 27 September 2001 was consolidated in the Group's financial statements. The other subsidiaries listed above have been consolidated into the Group's financial statements.

15. Stocks

	Group		*Company*	
	30 June 2002 £000	*30 June 2001 £000*	*30 June 2002 £000*	*30 June 2001 £000*
Finished goods and goods for resale	4,270	-	-	-
Raw materials and consumables	594	211	255	211
	4,864	211	255	211

16. Debtors

	Group		*Company*	
	30 June 2002 £000	*30 June 2001 £000*	*30 June 2002 £000*	*30 June 2001 £000*
Trade debtors	5,799	8,047	4,157	8,047
Amounts owed from Amserve	-	5,090	1,242	5,090
Amounts owed from other subsidiary undertakings	-	-	1,220	3,835
Other debtors	414	24	336	24
Prepayments and accrued income	865	336	268	328
Corporation tax recoverable	243	168	-	-
Group relief receivable	-	-	73	509
Other taxes	244	331	320	331
	7,565	13,996	7,616	18,164

17. Creditors: amounts falling due within one year

	Group 30 June 2002 £000	Group 30 June 2001 £000	Company 30 June 2002 £000	Company 30 June 2001 £000
Trade creditors	5,420	2,704	4,476	2,657
Amount owed to Amserve	-	1,259	-	-
Amounts owed to other *subsidiary undertakings*	-	-	13,893	16,043
Corporation tax payable	-	-	10	460
Overseas tax payable	99	178	-	
Other taxes and social security	890	110	890	110
Accruals and deferred income	2,140	3,510	1,788	3,490
Dividend payable	1,199	1,199	1,199	1,199
	9,748	8,960	22,256	23,959

18. Provisions for liabilities and charges

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

	Group Warranty £000	Group Other Claims £000	Group Total £000	Company Warranty £000	Company Other Claims £000	Company Total £000
At 1 July 2001	1,611	2,020	3,631	1,611	2,020	3,631
Consolidation of Amserve (note 2)	197	-	197	-	-	-
Provided in the year	1,106	563	1,669	556	563	1,119
Released in the year	(600)	(139)	(739)	(600)	(139)	(739)
Utilised in the year	(337)	(1,381)	(1,718)	34	(1,381)	(1,347)
At 30 June 2002	1,977	1,063	3,040	1,601	1,063	2,664

It is expected that the costs provided for will be incurred within two years of the balance sheet date.

19. Called up share capital

	30 June 2002 No.	30 June 2002 £000	30 June 2001 No.	30 June 2001 £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	79,969,659	7,997	79,929,659	7,993

During the year 40,000 shares were issued in respect of share options exercised for a total consideration of £12,000.

19. Called up share capital (continued)

The following options to subscribe for shares have been granted and were outstanding at 30 June 2002 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	578,226	31.0p	19.12.00	19.12.04
19 December, 1997	381,774	31.0p	19.12.00	19.12.07
19 December, 1997	750,000	31.0p	02.10.01	01.10.02
19 December, 1997	40,000	31.0p	08.06.02	07.06.03
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
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	25,000	59.0p	27.03.04	27.03.08
27 March, 2001	120,000	59.0p	27.03.04	27.03.11
20 March, 2002	150,000	42.5p	20.03.05	20.03.12

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

20. Share premium and reserves

	Share premium account £000	*Capital reserve £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 July 2001	6,076	3,618	9,305	18,999
Premium on shares issued during the year	8	-	-	8
Loss retained for the financial year	-	-	(3,288)	(3,288)
Currency translation differences on foreign currency net investments	-	-	(80)	(80)
At 30 June 2002	6,084	3,618	5,937	15,639
Accumulated goodwill written off against reserves	-	-	4,581	4,581
Company				
At 1 July 2001	6,076	1,198	10,141	17,415
Premium on shares issued during the year	8	-	-	8
Loss retained for the financial year	-	-	(649)	(649)
At 30 June 2002	6,084	1,198	9,492	16,774

21. Reconciliation of movements in shareholders' funds

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
At 1 July	26,992	27,938
Shares issued during the year	12	288
(Loss)/Profit for the year	(1,449)	556
Exchange translation differences	(80)	42
Dividends	(1,839)	(1,832)
At 30 June	23,636	26,992

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

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
Operating (loss)/profit	(2,350)	4,496
Exchange translation differences	(84)	37
Goodwill amortisation	228	-
Depreciation	328	709
Profit on sale of tangible fixed assets	(19)	(16)
(Increase)/Decrease in stocks	(3,791)	1,624
Decrease in debtors	1,835	24,960
Increase/(Decrease) in creditors	1,726	(14,125)
Decrease in provisions	(788)	(327)
Net cash (outflow)/inflow from operating activities	(2,915)	17,358

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

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
(a) Returns on investments and servicing of finance		
Interest received	1,251	1,571
(b) Taxation paid		
UK corporation tax paid	(57)	(2,979)
Group relief paid to joint venture	(379)	(1,463)
Overseas tax paid	(142)	(13)
	(578)	(4,455)

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

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
(c) Capital expenditure		
Purchase of tangible fixed assets	(290)	(708)
Sale of tangible fixed assets	70	144
Net cash outflow from capital expenditure	(220)	(564)

24. 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 2001.

(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 2002 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

A significant proportion 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.

24. Financial instruments (continued)

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

	30 June 2002 £000	*30 June 2001 £000*
Sterling	20,215	23,420
US Dollar	2,241	3,440
Other Currencies	161	27
	22,617	26,887

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 2002 the Group had an unsecured overdraft facility of £3.0m which is renewable annually.

As at 30 June 2002 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 2002 the net US dollar asset was £0.8m (2001: £0.6m liability). As at 30 June 2002 there were no material differences between the book values and fair values of the Group's financial assets and liabilities.

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 2002 the Group had forward foreign exchange contracts totalling $16m covering certain US dollar denominated purchasing commitments in the new financial year. As at 30 June 2002 there was no material difference between the exchange rates in these forward contracts and the closing exchange rate on 30 June 2002.

25. Financial commitments

(a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (2001: £nil). There were no other contracted commitments, other than those provided in the financial statements (2001: £nil).

(b) Operating lease commitments

At 30 June 2002 the Group had annual commitments under operating leases relating to land and buildings as follows :-

	Year ended 30 June 2002 £000	*Year ended 30 June 2001 £000*
Expiring between two and five years inclusive	175	175

26. 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 in 2000 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 (2001: £175,000) was paid to Amsprop.

During the year Amstrad plc sold a motor vehicle to Amsprop for £58,000, which was the market value of the vehicle at that time.

During the year the Company purchased from Learning Technology plc, a company controlled by Sir Alan Sugar, computer equipment with a total value of £16,594 (2001: £715).

During the year £5,022 (2001: £1,167) was paid to Amsail Limited, a company controlled by Sir Alan Sugar, for the hire of aircraft used by Amstrad staff for business purposes.

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. On 13 June 2002 a new one year contract was agreed for the purchase from Tottenham of advertising, relating to the 2002/2003 football season, for a total consideration of £34,600.

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 2002	Year ended 30 June 2001	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Turnover:	£000	£000	£000	£000	£000
Group and share of joint venture	40,204	65,017	128,435	94,117	53,289
Less: share of joint venture	(474)	(4,130)	(1,006)	-	-
Group turnover	39,730	60,887	127,429	94,117	53,289
Gross profit	7,202	8,949	20,371	15,852	7,279
Net operating expenses	(9,552)	(4,453)	(7,237)	(7,799)	(7,440)
Operating (loss)/profit before exceptional items	(2,350)	4,496	13,134	8,053	(161)
Exceptional costs	-	-	-	-	(888)
Share of joint venture operating loss	(571)	(5,062)	(1,090)	-	-
Total operating (loss)/profit	(2,921)	(566)	12,044	8,053	(1,049)
Profit on disposal of business in continuing activities	-	-	-	729	-
Net interest receivable/(payable)	1,136	1,526	1,058	300	(87)
(Loss)/Profit before taxation	(1,785)	960	13,102	9,082	(1,136)
Taxation	(50)	(404)	(4,201)	(3,236)	112
(Loss)/Profit after taxation	(1,835)	556	8,901	5,846	(1,024)
Minority interest	386	-	-	-	-
(Loss)/Profit attributable to shareholders	(1,449)	556	8,901	5,846	(1,024)
Dividends	(1,839)	(1,832)	(1,814)	(781)	(387)
Retained (loss)/profit for the year	(3,288)	(1,276)	7,087	5,065	(1,411)
(Loss)/Earnings per share	(1.8)p	0.7p	11.3p	7.5p	(1.33p)
Adjusted earnings/(loss) per share	3.7p	5.3p	13.4p	7.5p	(1.33p)
Dividends per share	2.3p	2.3p	2.3p	1.0p	0.5p
Capital employed					
Fixed assets	1,846	553	2,260	677	790
Net operating assets	22,258	26,439	25,678	17,548	11,082
Net assets	24,104	26,992	27,938	18,225	11,872
Financed by					
Share capital	7,997	7,993	7,913	7,825	7,767
Reserves and share premium	15,639	18,999	20,025	10,400	4,105
Equity shareholders' funds	23,636	26,992	27,938	18,225	11,872
Minority interest	468	-	-	-	-
	24,104	26,992	27,938	18,225	11,872

Notice of meeting

NOTICE IS HEREBY GIVEN that the fourteenth Annual General Meeting of the Company will be held at the Mary Green Manor Hotel, London Road, Brentwood, Essex CM14 4NR on Wednesday 27 November 2002 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 2002 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 Sir Alan Sugar who retires by rotation (Note 1).
4. To re-elect Ms.M.R. Mountford, 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 £815,313 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 £399,848,

   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. Sir Alan Sugar, aged 55, is Chairman and CEO of Amstrad which he founded in 1968. He was awarded an honorary DSc in 1988 by the City University Business School and was awarded a Knighthood in the millennium New Year's honours list. He is Chairman of Learning Technology plc and involved in a number of charitable activities including the Princes Trust.

2. Ms.M.R. Mountford, aged 50, has many years' corporate law experience as a partner in the law firm Herbert Smith from which she retired in March 1999. She has been a non-executive director of Amstrad plc since September 1999.

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 1BR 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 2002 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 2002 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 25 September 2002 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 25 September 2002

By order of the Board

M. A. G. Bland
Secretary

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