Amstrad®

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Amstrad plc

Annual Report & Accounts 2002/2003

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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 75, 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 51, has many years' corporate law experience as a partner in the law firm, Herbert Smith, from which she retired in March 1999.

Company Secretary M. A. G. Bland BA ACA

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Stockbrokers Evolution Beeson Gregory Limited, 100 Wood Street, London EC2V 7AN

Registered Auditors Deloitte & Touche LLP, Chartered Accountants, London

Principal Bankers Lloyds TSB Bank Plc, 25 Gresham Street, London EC2V 7HN

Registrar Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Company Number Registered in England and Wales No. 955321

Chairman's Statement

Financial Review

The Group as a whole reported a profit before tax of £3.8m (2002: £1.8m loss) on sales of £43.8m (2002: £40.2m). The earnings per share were 3.7p (2002: 1.8p loss per share).

The Board of Directors recommend an increased final dividend of 2.2p (2002: 1.5p) per ordinary share to be paid on 5 December 2003 to shareholders on the register on 3 October 2003 which together with the interim dividend of 0.8p (2002: 0.8p) paid on 8 April 2003 makes a total distribution of 3.0p (2002: 2.3p) per ordinary share in respect of the year ended 30 June 2003.

The Group balance sheet remains strong with net assets of £24.2m (2002: £24.1m) including £24.5m (2002: £22.6m) of cash.

Operating Review

Amstrad Business

The Amstrad business made a profit before tax of £9.9m (2002: £4.2m) on sales of £34.4m (2002: £35.4m). The sales of digital decoders ("set top boxes") were higher in volume terms than last year. We continue to drive down the cost of the set top box and in September 2002 we launched our fourth generation unit. We have orders in place for the whole of the current financial year.

As a result of our continuing focus on quality control warranty costs incurred have been lower than anticipated and we have been able to release £0.9m, of which £0.7m was released in the first half of the year, from provisions against potential warranty costs relating to past sales of set top boxes.

In April 2003 we announced that we had signed two separate manufacture and supply agreements with BSkyB, the first for Sky+ set top boxes, which takes the Company into a new area of technology (personal video recorder – "PVR") by incorporating a hard disk drive into a set top box. The second is for a new Sky branded combined keyboard and remote control. Shipments of this product have already commenced in this current financial year. These two agreements are in addition to the ongoing supply of standard set top boxes.

Our Hong Kong business has had a very successful year with direct shipments of audio products, mainly to the US market, significantly ahead of last year. New audio models are currently under design and development with an emphasis on exclusive and innovative features.

Amserve Business

Shareholders will know that the e-m@iler business model is based on us subsidising the sales price of the units with the subsidy recouped through a long term revenue stream derived from usage of the e-m@iler. This practice has been successfully used for many years by most mobile phone operators. The loss generated by the Amserve business, including this subsidy, was £6.1m (2002: £6.0m), which includes a write down of £1.6m to reflect the realisable value of the inventory of e-m@ilers held at 30 June 2003. Sales in the Amserve business were £9.4m (2002: £4.8m).

In addition to the 125k units of the original e-m@iler model that were sold, 130k units of the current model had been sold and registered as at 30 June 2003 making a total of 255k units bought and registered since the launch of the e-m@iler.

Chairman's Statement contd

Amserve Business contd

To increase the rate of new subscribers the retail price was reduced in January this year. The impact of this retail price reduction has been partially offset by lower manufacturing costs but it increased the initial subsidy per unit. In view of this the Board considered it appropriate to make a charge of £1.6m to write down the carrying value of e-m@iler units held at the balance sheet date to the amount at which they are to be sold. This write down recognises the loss that would otherwise have arisen in the current financial year when these units are sold.

The revenue derived from the usage of the e-m@iler continues to hold up well with the majority of the income continuing to come from e-mail and surf usage although in the last year other services that are embedded in the e-m@iler's services menu have started to generate more significant revenue. Furthermore with the increasing e-m@iler base we are now attracting more big brand advertisers such as AOL and O2 who promote their products and services on screen. We believe that as the installed base grows the attractiveness to advertisers will increase.

In June 2003 the average revenue generated from the installed base was £18k per day (approximate annualised rate of £6.6m per annum). We expect this daily revenue to increase through the growth in the installed base, allowing for customer churn, and from the increase in other services available on the e-m@iler.

Outlook

The current financial year will see the first deliveries of Amstrad's Sky+ set top box and we believe this product could over time have significant growth opportunities. We continue to pursue opportunities in other geographic markets for digital satellite set top boxes.

In the Amserve business we continue to focus on increasing the installed base of e-m@ilers and enhancing future profitability through maximising existing revenue sources such as e-mail and by adding new revenue generating sources. A new variant of the e-m@iler with additional revenue earning functionality will be launched later in the current financial year. We expect that the Amserve business should turn into profit in this current financial year despite our continued policy of subsidising the sale of units to increase the installed base.

Sir Alan Sugar
Chairman
25 September 2003

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 pages 8 to 11 relating to the number of non-executive directors, the Group has been in compliance throughout the year ended 30 June 2003 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.

The roles of Chairman and CEO are combined which the Board considers 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 12. 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. However, the Board has noted that under the provision proposed under the Revised Combined Code for companies outside the FTSE 350, two non-executive directors are considered sufficient.

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 to 11.

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 ongoing 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 2003.

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 profit for the year on ordinary activities before tax was £3.8m (2002: £1.8m loss). The profit before tax for the year was made up of a profit of £9.9m (2002: £4.2m) from the main Amstrad business and a loss before tax of £6.1m (2002: £6.0m) from Amserve. In the consolidated profit and loss account on page 14 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 2003 (2002: 0.8p). The directors recommend the payment of an increased final dividend of 2.2p per share (2002: 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. The expenditure on research and development is 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. All of the directors served throughout the year. In accordance with the Articles of Association of the Company, Mr I. P. Saward and Mr S. Sugar retire by rotation and offer themselves for re-election at the Annual General Meeting.

Details of related party transactions and directors' interests in transactions during the year are included in note 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 to 11.

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 2003 or at 18 September 2003 save as disclosed below:

	30 June 2003		*18 September 2003*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Amshold Limited (*)	23,026,313	28.7%	23,026,313	28.7%
Herald Investment Trust	6,851,597	8.5%	6,851,597	8.5%
Schroders plc (†)	6,637,993	8.3%	9,049,993	11.3%

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

Political and charitable donations

Charitable donations of £64,103 were made during the year (2002: £69,103). No political donations were made during the year (2002: £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 2003 was 31 days (2002: 42 days).

Auditors

On 1 August 2003, Deloitte & Touche, the Group's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liabilities Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the Company's auditors and to authorise the directors to agree their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

M. A. G. Bland
Secretary

25 September 2003

Report of the Board on Directors' Remuneration

This report sets out the policy and disclosures in relation to Directors' Remuneration. At the Annual General Meeting of the Company to be held on 26 November 2003, this report will be submitted to shareholders for their approval. This report has been produced in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of directors' remuneration.

Composition and terms of reference of the Remuneration Committee
The Remuneration Committee is responsible for the Company's remuneration policy and for determining the terms and conditions of service of the executive directors. The Committee is chaired by Ms. M. R. Mountford and its other member is Mr. J. Samson, both of whom are independent non-executive directors. The Chairman and Finance Director attend these meetings by invitation.

Non-executive directors
The remuneration of the non-executive directors is reviewed annually and is set by the Board. The responsibilities of the role and the level of fees paid by similar sized companies are considered in setting the remuneration policy for non-executive directors.

Remuneration policy for executive directors
In framing its remuneration policy for executive directors the Committee considers a number of factors including:-

- the need to attract, retain and motivate directors of the quality required to ensure the Company is managed successfully for the benefit of shareholders;
- the linking of remuneration to individual and business performance; and
- ensuring that the interests of executive directors are in alignment with those of shareholders.

Other than Sir Alan Sugar, the executive directors remuneration packages consist of basic salary, benefits, performance related bonuses and share options. Sir Alan Sugar's services are provided to Amstrad plc by Amshold Limited, a company owned by Sir Alan Sugar, and Amstrad plc is charged a fee for his services.

The Board believes that a significant proportion of an executive director's remuneration package should be linked to performance and this is reflected in the operation of a performance related bonus scheme and a performance related share option scheme. The Company does not currently expect its policy on directors' remuneration for subsequent years to change significantly.

Basic salary and benefits
The executive directors' basic salaries are reviewed by the Committee annually. In reviewing salaries consideration is given to both individual performance and market conditions.

The benefits provided to the executive directors, other than Sir Alan Sugar, are a car allowance, health and long-term disability insurance and life assurance.

Pensions
The Company does not make any pension contributions to directors or on behalf of directors.

Performance related bonuses
An executive directors performance related bonus scheme is in place which is based on achievement of performance targets which are set by the Remuneration Committee at the start of every financial year. Performance is judged against a range of corporate, financial, operational and business development targets.

Share option scheme
The Company believes that the holding of options by executive directors strengthens the link between their personal interests and those of shareholders by giving them an interest in the Company's future.

Report of the Board on Directors' Remuneration (continued)

Share option scheme (continued)
All employees of the Company, including executive directors other than Sir Alan Sugar, 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. The price on exercise is the closing mid market price on the day preceding the grant of the option. The options are not normally exercisable until the third anniversary of grant and may normally only be exercised if the performance conditions set by the Remuneration Committee are met. The performance conditions are that the Company's earnings per share have grown by an average of more than 2% per annum over the rate of inflation, as measured by the retail prices index, over a three year period. Earnings per share is considered by the board to be an appropriate measure of the economic performance of the Company.

Service agreements
The Company's policy is for executive directors, other than Sir Alan Sugar, to be employed on a rolling contract basis subject to one year's notice on either side. On termination by the Company, for reasons other than a serious breach of their service agreement, the Company will make payment to the executive director not exceeding the director's basic salary and benefits for the period of notice.

Each of Messrs M. A. G. Bland, I. P. Saward and S. Sugar have service agreements subject to the above terms. Mr M. A. G. Bland's service agreement commenced on 11 August 1997 and Mr I. P. Saward's and Mr S. Sugar's on 1 July 1998.

Sir Alan Sugar's services are provided to Amstrad plc by Amshold Limited, a company owned by Sir Alan Sugar, under an agreement dated 3 November 1997 and amended on 1 July 1998. The agreement is terminable on 12 months' notice by either side. On termination by the Company, by reasons other than a serious breach of the agreement, the Company will make payment to Amshold Limited not exceeding the service fee for the period of notice.

The non-executive directors are engaged under one year contracts. Mr J. E. Samson's and Ms M. R. Mountford's contracts expire on 25 October 2003.

Directors' emoluments
The emoluments of the directors for the year ended 30 June 2003 were as follows :-

	Salary/ Fees £000	*Bonus Payments £000*	*Benefits in kind £000*	*Total for year ended 30 June 2003 £000*	*Total for year ended 30 June 2002 £000*
Sir Alan Sugar (Chairman)	325	-	-	325	325
R.J. Watkins	-	-	-	-	353
M.A.G. Bland	115	51	13	179	135
I.P. Saward	132	31	15	178	153
S.Sugar	150	106	12	268	169
J.E. Samson - non executive director	25	-	-	25	25
M.R. Mountford - non executive director	25	-	-	25	25
	772	188	40	1,000	1,185

Report of the Board on Directors' Remuneration (continued)

Directors interests in shares

The directors of the Company as at 30 June 2003 had the following interests in the shares of Amstrad plc :

	Ordinary shares of 10p each	
	30 June 2003	*1 July 2002*
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.

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

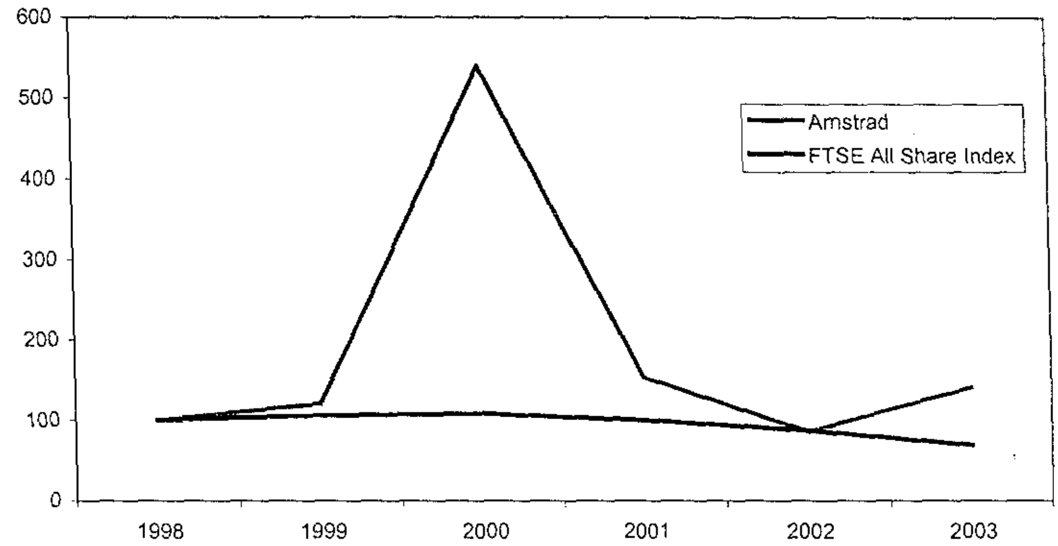
	1 July 2002	Granted in year	30 June 2003	Exercise Price	Exercise Period From	To
M.A.G. Bland	375,000	-	375,000	31.0p	19.12.00	19.12.04
	-	100,000	100,000	26.5p	23.10.05	23.10.12
I.P. Saward	53,226	-	53,226	31.0p	19.12.00	19.12.04
	96,774	-	96,774	31.0p	19.12.00	19.12.07
	350,000	-	350,000	30.0p	05.10.01	05.10.05
	-	100,000	100,000	26.5p	23.10.05	23.10.09
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
	-	100,000	100,000	26.5p	23.10.05	23.10.12

The performance conditions relating to these share options are set out in the share option section of this Report of the Board on Directors' Remuneration.

The mid market price of the Company's shares as at 30 June 2003 was 84.5p (2002: 34.5p). The highest mid-market price during the year was 93.5p and the lowest 20.5p.

Report of the Board on Directors' Remuneration (continued)

Total shareholder return
The following graph shows Amstrad's total shareholder return compared to that of the FTSE all share index over the past five years. As Amstrad is a constituent of this index it is deemed to be the most appropriate comparator.



Source: Reuters

The report of the auditors on the Financial Statement covers the disclosures contained in this report that are specified for audit by the Directors' Remuneration Report Regulations 2002. The sections of the report that are audited are "Directors' emoluments", "Pensions", "Share option scheme" and the directors share options information contained in "Directors' interests in shares".

By order of the Board

Margaret Mountford

M.R. Mountford
Chairman of the Remuneration Committee

25 September 2003

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 2003 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. We have also audited the information in the part of the report of the board on directors' remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2003 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 LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
25 September 2003

Consolidated Profit and Loss Account

	Note	*Year ended 30 June 2003* Total before Amserve £000	Amserve £000	Total £000	*Year ended 30 June 2002* Group £000
Turnover:					
Group and share of joint venture		34,382	9,467	43,849	40,204
Less: Share of joint venture		-	-	-	(474)
Group turnover	3	34,382	9,467	43,849	39,730
Cost of sales		(21,746)	(11,355)	(33,101)	(32,528)
Gross profit/(loss)		12,636	(1,888)	10,748	7,202
Group distribution costs		(279)	(1,499)	(1,778)	(3,560)
Group administrative expenses		(3,158)	(2,663)	(5,821)	(5,992)
Group net operating expenses		(3,437)	(4,162)	(7,599)	(9,552)
Group operating profit/(loss)		9,199	(6,050)	3,149	(2,350)
Share of joint venture operating loss	2	-	-	-	(571)
Total operating profit/(loss)		9,199	(6,050)	3,149	(2,921)
Net interest receivable/(payable):					
Group	4	703	(64)	639	1,186
Share of joint venture		-	-	-	(50)
Profit/(Loss) on ordinary activities before taxation	5	9,902	(6,114)	3,788	(1,785)
Tax charge on profit/(loss) on ordinary activities	8			(1,286)	(50)
Profit/(Loss) on ordinary activities after taxation				2,502	(1,835)
Minority interest				433	386
Profit/(Loss) attributable to shareholders				2,935	(1,449)
Dividends payable	9			(2,404)	(1,839)
Retained profit/(loss) for the financial year	20			531	(3,288)
Group earnings/(loss) per share	11			3.7p	(1.8)p
Group diluted earnings/(loss) per share	11			3.6p	(1.8)p
Adjusted earnings per share (excluding Amserve)	12			9.0p	3.7p
Equity dividends per share	9			3.0p	2.3p

Statement of Total Recognised Gains and Losses

	2003	2002
Profit/(Loss) for the financial year	2,935	(1,449)
Exchange translation differences on foreign currency net investments	(93)	(80)
Total recognised gains/(losses) relating to the year	2,842	(1,529)

The turnover and operating results all relate to continuing operations.

Consolidated Balance Sheet

	Note	30 June 2003 £000	30 June 2002 £000
Fixed assets			
Intangible assets	2	990	1,295
Tangible assets	13	411	551
		1,401	1,846
Current assets			
Stocks	15	3,467	4,864
Debtors	16	6,596	7,565
Cash at bank and in hand		24,528	22,617
		34,591	35,046
Creditors: amounts falling due within one year	17	(9,521)	(9,748)
Net current assets		25,070	25,298
Total assets less current liabilities		26,471	27,144
Provisions for liabilities and charges	18	(2,288)	(3,040)
Total net assets		24,183	24,104
Called up share capital	19	8,021	7,997
Share premium account	20	6,134	6,084
Capital reserve	20	3,618	3,618
Profit and loss account	20	6,375	5,937
Equity shareholders' funds	21	24,148	23,636
Minority interest	2	35	468
		24,183	24,104

The financial statements were approved by the Board of Directors on 25 September 2003.

Sir Alan Sugar

M.A.G. Bland
Directors

Company Balance Sheet

	Note	30 June 2003 £000	30 June 2002 £000
Fixed assets			
Tangible assets	13	302	380
Investments	14	19,306	19,306
		19,608	19,686
Current assets			
Stocks	15	-	255
Debtors	16	7,510	7,616
Cash at bank and in hand		23,787	22,134
		31,297	30,005
Creditors: amounts falling due within one year	17	(24,984)	(22,256)
Net current assets		6,313	7,749
Total assets less current liabilities		25,921	27,435
Provisions for liabilities and charges	18	(1,742)	(2,664)
Total net assets		24,179	24,771
Called up share capital	19	8,021	7,997
Share premium account	20	6,134	6,084
Capital reserve	20	1,198	1,198
Profit and loss account	20	8,826	9,492
Equity shareholders' funds		24,179	24,771

The financial statements were approved by the Board of Directors on 25 September 2003.

Sir Alan Sugar

M.A.G. Bland
Directors

Consolidated Cash Flow Statement

	Note	*Year ended 30 June 2003 £000*	*Year ended 30 June 2002 £000*
Net cash inflow/(outflow) from operating activities	22	2,967	(2,915)
Returns on investments and servicing of finance	23	686	1,251
Taxation received/(paid)	23	355	(578)
Capital expenditure	23	(320)	(220)
Acquisitions and disposals		-	21
Equity dividends paid		(1,839)	(1,839)
Cash inflow/(outflow) before financing		1,849	(4,280)
Financing			
Issue of shares		74	12
Increase/(Decrease) in cash in the year		1,923	(4,268)
Reconciliation of net cash flow to movement in net cash			
Increase/(Decrease) in cash in the year		1,923	(4,268)
Exchange translation differences		(12)	(2)
Cash at 1 July		22,617	26,887
Cash at 30 June		24,528	22,617

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 2003. 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 prior to the year ended 30 June 1999, 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 straight-line 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. It is no longer considered appropriate to take account of future revenue streams generated by products in estimating their net realisable value. Accordingly, a charge of £1.6m has been made to write down the carrying value of e-m@iler units held at the balance sheet date to the amount at which they are to be sold.

(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 2002	1,295
Goodwill amortisation	(305)
As at 30 June 2003	990

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. In the year of the transaction, the effect on the balance sheet would have been to increase tangible 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.

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 2003 £000	*Year ended 30 June 2002 £000*
United Kingdom	36,015	33,696
USA	6,169	3,657
Mainland Europe	1,102	1,757
Other Countries	563	620
	43,849	39,730

4. Net interest receivable - group

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
Interest receivable from bank	639	1,120
Interest receivable from joint venture	-	66
	639	1,186

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

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

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
Depreciation of owned tangible fixed assets	477	328
Goodwill amortisation	305	228
Profit on sale of tangible fixed assets	(22)	(19)
Research and development expenditure	2,181	1,628
Operating leases: land and buildings	180	175
Auditors' remuneration and expenses - audit	58	49
Auditors' remuneration and expenses - taxation and interim review	82	96
Directors' emoluments	1,000	1,185

The Group's expenditure above on auditor's remuneration and expenses for audit work amounted to £58,000 (2002: £49,000) and included £34,000 (2002: £33,000) relating to the Company's audit.

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 to 11. The report of the auditors on the Financial Statement covers the disclosures contained in this report that are specified for audit by the Directors' Remuneration Report Regulations 2002. The sections of the report that are audited are "Directors' emoluments", "Pensions", "Share option scheme" and the directors share options information contained in "Directors' interests in shares".

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 2003 No.	*Year ended 30 June 2002 No.*
Administration	24	22
Sales and marketing	5	4
Warehousing, service and distribution	3	3
Technical and product management	45	40
	77	69

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

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
Wages and salaries, including bonuses	3,602	3,114
Compensation for loss of office	-	270
Social security costs	348	313
	3,950	3,697

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

	30 June 2003 £000	*30 June 2002 £000*
Tax based on the profit/(loss) on ordinary activities for the year:		
UK Corporation tax at 30% (2002: 30%)	(1,162)	-
Adjustments in respect of prior periods	(7)	19
Overseas tax	(117)	(69)
	(1,286)	(50)

A deferred tax asset has not been recognised in respect of fixed asset timing differences of £328,000 (2002: £363,000) and other short term timing differences of £937,000 (2002:£813,000). 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 charge which would result by applying the standard rate of corporation tax in the UK of 30% (2002: 30%) as explained below:

	30 June 2003 £000	*30 June 2002 £000*
Profit/(loss) on ordinary activities at the standard rate of corporation tax of 30%	(1,136)	535
Effects of:		
Expenses not deductible for tax purposes	(107)	(119)
Capital allowances in excess of depreciation	36	34
Movement in short term timing differences	(72)	(519)
Adjustments in respect of prior periods	(7)	19
Current tax charge	(1,286)	(50)

9. Dividends

The directors propose an increased final dividend of 2.2p (2002: 1.5p) per share, which together with the interim dividend of 0.8p (2002: 0.8p) per ordinary share paid on 8 April 2003 makes a total distribution of 3.0p (2002: 2.3p) per ordinary share in respect of the year ended 30 June 2003

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 £1.7 million (2002: £1.2 million).

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

The earnings per share is based on the profit for the year attributable to shareholders of £2,935,000 (2002: £1,449,000 loss) and on the average number of shares in issue during the year of 79,983,988 (2002: 79,950,371). Diluted earnings per share is based on the same earnings figure as above and 80,433,013 ordinary shares allowing for the potential exercise of outstanding share purchase options exercisable at a price below the average fair value during the year. The comparative diluted loss per share for 2002 was based on the same loss figure and the same number of shares as the 2002 loss per share.

12. Adjusted earnings per share (excluding Amserve)

Adjusted earnings per share excludes the losses of the Amserve business and is therefore based upon earnings of £7,171,000 (2002: £2,958,000) and 79,983,988 (2002: 79,950,371) 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 2002	372	1,293	1,665
Exchange adjustment	(1)	(13)	(14)
Additions	84	292	376
Disposals	(161)	(12)	(173)
At 30 June 2003	294	1,560	1,854
Depreciation			
At 1 July 2002	211	903	1,114
Exchange adjustment	-	(9)	(9)
Charge for the year	78	399	477
Disposals	(128)	(11)	(139)
At 30 June 2003	161	1,282	1,443
Net book value			
At 30 June 2003	133	278	411
At 30 June 2002	161	390	551
Company			
Cost			
At 1 July 2002	267	1,067	1,334
Additions	54	243	297
Disposals	(142)	(10)	(152)
At 30 June 2003	179	1,300	1,479
Depreciation			
At 1 July 2002	171	783	954
Charge for the year	50	303	353
Disposals	(120)	(10)	(130)
At 30 June 2003	101	1,076	1,177
Net book value			
At 30 June 2003	78	224	302
At 30 June 2002	96	284	380

14. Investments

Company

Investments of the Company at 30 June 2003 comprise shares in subsidiary undertakings at cost of £19,306,000 (2002: £19,306,000). 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

All of the subsidiaries listed above have been consolidated into the Group's financial statements.

15. Stocks

	Group		*Company*	
	30 June 2003 £000	*30 June 2002 £000*	*30 June 2003 £000*	*30 June 2002 £000*
Finished goods and goods for resale	3,341	4,270	-	-
Raw materials and consumables	126	594	-	255
	3,467	4,864	-	255

16. Debtors

	Group		*Company*	
	30 June 2003 £000	*30 June 2002 £000*	*30 June 2003 £000*	*30 June 2002 £000*
Trade debtors	4,685	5,799	3,875	4,157
Amounts owed from subsidiary undertakings	-	-	3,342	2,462
Other debtors	2	414	2	336
Prepayments and accrued income	1,852	865	235	268
Corporation tax recoverable	57	243	-	-
Group relief receivable	-	-	56	73
Other taxes	-	244	-	320
	6,596	7,565	7,510	7,616

17. Creditors: amounts falling due within one year

	Group		Company	
	30 June 2003 £000	*30 June 2002 £000*	*30 June 2003 £000*	*30 June 2002 £000*
Trade creditors	2,900	5,420	2,682	4,476
Amounts owed to subsidiary undertakings	-	-	18,298	13,893
Corporation tax payable	1,441	-	-	10
Overseas tax payable	101	99	-	-
Other taxes and social security	575	890	262	890
Accruals and deferred income	2,739	2,140	1,977	1,788
Dividend payable	1,765	1,199	1,765	1,199
	9,521	9,748	24,984	22,256

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			Company		
	Warranty £000	*Other Claims £000*	*Total £000*	*Warranty £000*	*Other Claims £000*	*Total £000*
At 1 July 2002	1,977	1,063	3,040	1,601	1,063	2,664
Provided in the year	1,177	-	1,177	737	-	737
Released in the year	(1,116)	(176)	(1,292)	(919)	(176)	(1,095)
Utilised in the year	(450)	(187)	(637)	(377)	(187)	(564)
At 30 June 2003	1,588	700	2,288	1,042	700	1,742

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

19. Called up share capital

	30 June 2003		30 June 2002	
	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	80,209,659	8,021	79,969,659	7,997

During the year 240,000 shares were issued in respect of share options exercised for a total consideration of £74,000.

19. Called up share capital (continued)

The following options to subscribe for shares have been granted and were outstanding at 30 June 2003 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	498,226	31.0p	19.12.00	19.12.04
19 December, 1997	251,774	31.0p	19.12.00	19.12.07
5 October, 1998	650,000	30.0p	05.10.01	05.10.05
5 October, 1998	220,000	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
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	125,000	42.5p	20.03.05	20.03.12
23 October, 2002	375,000	26.5p	23.10.05	23.10.09
23 October, 2002	540,000	26.5p	23.10.05	23.10.12

Details of directors' share options are disclosed in the Report of the Board on Directors' Remuneration on pages 8 to 11.

20. Share premium and reserves

	Share premium account £000	*Capital reserve £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 July 2002	6,084	3,618	5,937	15,639
Premium on shares issued during the year	50	-	-	50
Profit retained for the financial year	-	-	531	531
Currency translation differences on foreign currency net investments	-	-	(93)	(93)
At 30 June 2003	6,134	3,618	6,375	16,127
Accumulated goodwill written off against reserves	-	-	4,886	4,886
Company				
At 1 July 2002	6,084	1,198	9,492	16,774
Premium on shares issued during the year	50	-	-	50
Loss retained for the financial year	-	-	(666)	(666)
At 30 June 2003	6,134	1,198	8,826	16,158

21. Reconciliation of movements in shareholders' funds

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
At 1 July	23,636	26,992
Shares issued during the year	74	12
Profit/(Loss) for the year	2,935	(1,449)
Exchange translation differences	(93)	(80)
Dividends	(2,404)	(1,839)
At 30 June	24,148	23,636

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

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
Operating profit/(loss)	3,149	(2,350)
Exchange translation differences	(77)	(84)
Goodwill amortisation	305	228
Depreciation	477	328
Profit on sale of tangible fixed assets	(22)	(19)
Decrease/(Increase) in stocks	1,397	(3,791)
Decrease in debtors	671	1,835
(Decrease)/Increase in creditors	(2,181)	1,726
Decrease in provisions	(752)	(788)
Net cash inflow/(outflow) from operating activities	2,967	(2,915)

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

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
(a) Returns on investments and servicing of finance		
Interest received	686	1,251
(b) Taxation paid		
UK corporation tax received/(paid)	465	(57)
Group relief paid to joint venture	-	(379)
Overseas tax paid	(110)	(142)
	355	(578)

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

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
(c) Capital expenditure		
Purchase of tangible fixed assets	(376)	(290)
Sale of tangible fixed assets	56	70
Net cash outflow from capital expenditure	(320)	(220)

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 2002.

(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 2003 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 2003 £000	*30 June 2002 £000*
Sterling	13,093	20,215
US Dollar	11,385	2,241
Other Currencies	50	161
	24,528	22,617

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 2003 the Group had an unsecured overdraft facility of £3.0m which is renewable annually.

As at 30 June 2003 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 2003 the net US dollar asset was £10.1m (2002: £0.8m asset). As at 30 June 2003 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 2003 the Group had forward foreign exchange contracts totalling $12m (2002: $16m) covering certain US dollar denominated purchasing commitments in the new financial year. As at 30 June 2003 there was no material difference between the exchange rates in these forward contracts and the closing exchange rate on 30 June 2003.

25. Financial commitments

(a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (2002: £nil). There were no other contracted commitments, other than those provided in the financial statements (2002: £nil).

(b) Operating lease commitments

At 30 June 2003 the Group had annual commitments under operating leases relating to land and buildings as follows :-

	Year ended 30 June 2003 £000	*Year ended 30 June 2002 £000*
Expiring between two and five years inclusive	180	175

26. Related party transactions

Amstrad plc rents office space in Brentwood from Amsprop Estates 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 £180,000 (2002: £175,000) was paid to Amsprop.

During the year the Company purchased from Learning Technology Ltd, a company controlled by Sir Alan Sugar, computer equipment and services with a total value of £24,123 (2002: £16,594). Amstrad plc charged Learning Technology Ltd £6,883 for technical and procurement services supplied during the year.

During the year £9,360 (2002: £5,022) 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 one year contract agreed on 13 June 2002 for the purchase from Tottenham of advertising and box hire relating to the 2002/2003 football season, for a total consideration of £34,600. On 21 May 2003 a new one year contract was agreed for the 2003/2004 football season for a total consideration of £33,000.

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

Turnover:	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Group and share of joint venture	43,849	40,204	65,017	128,435	94,117
Less: share of joint venture	-	(474)	(4,130)	(1,006)	-
Group turnover	43,849	39,730	60,887	127,429	94,117
Gross profit	10,748	7,202	8,949	20,371	15,852
Net operating expenses	(7,599)	(9,552)	(4,453)	(7,237)	(7,799)
Operating profit/(loss) before exceptional items	3,149	(2,350)	4,496	13,134	8,053
Share of joint venture operating loss	-	(571)	(5,062)	(1,090)	-
Total operating profit/(loss)	3,149	(2,921)	(566)	12,044	8,053
Profit on disposal of business in continuing activities	-	-	-	-	729
Net interest receivable/(payable)	639	1,136	1,526	1,058	300
Profit/(Loss) before taxation	3,788	(1,785)	960	13,102	9,082
Taxation	(1,286)	(50)	(404)	(4,201)	(3,236)
Profit/(Loss) after taxation	2,502	(1,835)	556	8,901	5,846
Minority interest	433	386	-	-	-
Profit/(Loss) attributable to shareholders	2,935	(1,449)	556	8,901	5,846
Dividends	(2,404)	(1,839)	(1,832)	(1,814)	(781)
Retained profit/(loss) for the year	531	(3,288)	(1,276)	7,087	5,065
Earnings/(Loss) per share	3.7p	(1.8)p	0.7p	11.3p	7.5p
Adjusted earnings/(loss) per share	9.0p	3.7p	5.3p	13.4p	7.5p
Dividends per share	3.0p	2.3p	2.3p	2.3p	1.0p
Capital employed					
Fixed assets	1,401	1,846	553	2,260	677
Net operating assets	22,782	22,258	26,439	25,678	17,548
Net assets	24,183	24,104	26,992	27,938	18,225
Financed by					
Share capital	8,021	7,997	7,993	7,913	7,825
Reserves and share premium	16,127	15,639	18,999	20,025	10,400
Equity shareholders' funds	24,148	23,636	26,992	27,938	18,225
Minority interest	35	468	-	-	-
	24,183	24,104	26,992	27,938	18,225

Notice of meeting

NOTICE IS HEREBY GIVEN that the fifteenth Annual General Meeting of the Company will be held at the Mary Green Manor Hotel, London Road, Brentwood, Essex CM14 4NR on Wednesday 26 November 2003 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 2003 and the reports of the directors and auditors thereon.
2. To approve the Report of the Board on Directors' Remuneration for the year ended 30 June 2003.
3. To declare a final dividend of 2.2p per ordinary share.
4. To re-elect Mr I. P. Saward who retires by rotation (Note 1).
5. To re-elect Mr S. Sugar, who retires by rotation (Note 2).
6. To re-appoint Deloitte & Touche LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration.

Special business

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

7. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise the power of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £791,313 to such persons and at such times and on and subject to such terms as the directors shall determine provided that this authority shall unless renewed expire on the conclusion of the next Annual General Meeting of the Company after passing of this resolution, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8. That subject to the passing of resolution 7 set out in the notice convening 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 £401,048,

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

Notes:

1. Mr I. P. Saward, aged 42, is the Company's Engineering Director responsible for the ongoing development of products. He joined Amstrad in 1987 and was appointed to the Board on 1 May 1998.

2. Mr S. Sugar, aged 34, is the Company's Commercial Director. He joined Amstrad in 1989 and was appointed to the Board on 1 May 1998.

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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 24 November 2003 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 24 November 2003 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 2003 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 2003

By order of the Board

M. A. G. Bland
Secretary

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

Amstrad plc

FORM OF PROXY

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

....
as my /our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 26 November 2003 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 2003 and the directors' and auditors' reports thereon	☐	☐
2. To approve the Report of the Board on Directors Remuneration for the year ended 30 June 2003	☐	☐
3. To declare a final dividend of 2.2p per ordinary share	☐	☐
4. To re-elect Mr I. P. Saward as a director	☐	☐
5. To re-elect Mr S. Sugar as a director	☐	☐
6. To re-appoint Deloitte & Touche LLP 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	☐	☐
7. To give the directors authority to allot shares	☐	☐
8. 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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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.