Amstrad

Always Innovating

Amstrad plc

Annual Report & Accounts 2003/2004

www.amstrad.com

Contents

Directors and Advisers

Directors	Sir Alan Sugar DSc	Chairman & CEO
	M. A. G. Bland BA ACA	Finance Director
	I. P. Saward BSc MBA	Engineering Director
	S. Sugar	Commercial Director
	J. S. Beattie	Production 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 76, 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 52, 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 Securities 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 £15.6m (2003: £3.8m) on sales of £57.3m (2003: £43.8m). The earnings per share were 14.6p (2003: 3.7p).

The Board of Directors recommend an increased final dividend of 3.5p (2003: 2.2p) per ordinary share to be paid on 6 December 2004 to shareholders on the register on 1 October 2004 which together with the interim dividend of 1.5p (2003: 0.8p) paid on 6 April 2004 makes a total distribution of 5.0p (2003: 3.0p) per ordinary share in respect of the year ended 30 June 2004.

The Group balance sheet remains strong with net assets of £32.5m (2003: £24.2m) including £21.8m (2003: £24.5m) of cash. Stocks, debtors and creditors are significantly higher than a year ago reflecting the increased level of business in the last few months of the financial year and the planned build up for shipments in the first few months of the current financial year.

Operating Review

Amstrad Business

The Amstrad business made a profit before tax of £12.5m (2003: £9.9m) on sales of £45.2m (2003: £34.4m).

The sales of standard digital decoders (set top boxes) were higher in volume terms than last year and in addition in March we commenced selling Sky + set top boxes. This new product is a personal video recorder (PVR) incorporating a hard disc drive in a set top box. Initial volumes have been very encouraging and we view this product as one of the best innovations to have been introduced to the consumer electronics market in the last few years.

Our Hong Kong business has had another very successful year with direct shipments of audio products, mainly to the US market, significantly ahead of last year. We continue to develop new innovative audio models.

Amserve Business

The Amserve business moved into profit in the year with a pre-tax profit of £3.1m (2003: £6.1m loss) on sales of £12.1m (2003: £9.4m).

As shareholders will recall the e-m@iler business model is based on subsidising the sales price of the units with the subsidy to be recouped through a revenue stream derived from usage of the e-m@iler. We have been selling an updated version of the e-m@iler which has some new features that increase the e-mail revenue potential. In view of the increased revenue generated, and in keeping with accounting practice generally adopted in this industry where hardware sales are subsidised, we consider it appropriate to take account of future revenue streams when assessing the net realisable value of stock.

Amserve Business (continued)

Some 368k e-m@iler units have been bought and registered since the launch of the product of which 113k units were registered in the last financial year. Lower manufacturing costs together with additional revenue earning potential enabled the retail price of the unit to be reduced from £49 to around £29 after Christmas.

In June 2004 the average revenue generated from the installed base was £25.2k per day (an approximate annualised rate of £9.2m per annum). The majority of income continues to be generated by e-mail and surf usage. However, advertising income is making an increasingly significant contribution as the installed base grows. We have attracted a number of leading names such as AOL, BT, Halifax, BSkyB and OneTel all of whom regularly advertise on the e-m@iler.

Outlook

At the end of April we were pleased to announce an order to supply digital satellite set top boxes for the Italian broadcaster, Sky Italia. Deliveries of this product commenced in early August ahead of schedule demonstrating our ability to develop and bring to market a new product in a very short period of time. We see the Italian market as being a very important fast growing digital TV market and we are pleased to be a key supplier to Sky Italia.

We have standard set top box and PVR orders in place for the current financial year for all of our markets. We will continue to focus on driving down unit costs and developing new units both for the UK market and other markets. As I have mentioned before we are in a strong position due to the lower level of overheads we have when competing with other set top box makers. Our speed of development and delivery also continues to put us in a stronger position.

We are developing some very innovative audio products targeted at the European and American markets. I am confident that they will have a significant impact on this sector of our business in the next financial year.

On 15 September we launched the new generation e-m@iler, the Amstrad E3. This phone will retail at around £99 and in addition to e-mail, sms, internet access and other functionality that is available on the previous model, this new phone includes a colour screen and has video phone functionality. The inbuilt camera will enable users to hold video calls with other users and send and receive picture messages with PCs and mobile phones. The existing model will continue to be sold alongside the new model.

At a retail price of around £99 the product will only have a small subsidy per unit and will receive ongoing revenue from e-mail, internet access, sms, games and advertising as well as new revenue from video calls and picture messaging.

Sir Alan Sugar
Chairman
23 September 2004

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 2004 with the provisions set out in the Combined Code for Corporate Governance ("the Code") issued by the Financial Services Authority.

The Board

The Board consists of five executive directors and two non-executive directors. Both non-executive directors are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgement. The Board has designated Mr. J. E. Samson as the senior non-executive director.

The 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 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; and
- 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 2004.

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 £15.6m (2003: £3.8m). The profit before tax for the year was made up of a profit of £12.5m (2003: £9.9m) from the main Amstrad business and a profit before tax of £3.1m (2003: £6.1m loss) from Amserve. In the consolidated profit and loss account on page 15 the results of Amserve attributable to the Group have been shown as a separate column.

An interim dividend of 1.5p per share was paid to the shareholders on 6 April 2004 (2003: 0.8p). The directors recommend the payment of an increased final dividend of 3.5p per share (2003: 2.2p).

Research and development

The Group carries out research and development as part of its day to day activities in relation to its products and 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 18 to the financial statements.

Directors and their interests

The present membership of the Board is set out on page 1. Mr J. S. Beattie was appointed to the Board on 1 December 2003. All of the other directors served throughout the year. In accordance with the Articles of Association of the Company, Mr M. A. G. Bland and Mr J.E. Samson retire by rotation and offer themselves for re-election at the Annual General Meeting. As Mr J. S. Beattie was appointed after the last Annual General Meeting he offers himself for election at the forthcoming Annual General Meeting.

Details of related party transactions and directors' interests in transactions during the year are included in note 25 to the financial statements. Directors' interests in Amstrad plc shares and share options are disclosed in the Report of the Board on Directors' Remuneration on pages 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 2004 or at 16 September 2004 save as disclosed below:

	30 June 2004		*16 September 2004*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Amshold Limited (*)	23,026,313	28.4%	23,026,313	28.4%
Herald Investment Trust	6,551,597	8.1%	6,551,597	8.1%
Schroders plc (†)	10,480,750	12.9%	9,909,345	12.2%

* 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 (2003: £64,103). No political donations were made during the year (2003: £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 2004 was 39 days (2003: 31 days).

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them 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

23 September 2004

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 25 November 2004, 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, S. Sugar and J.S. Beattie have service agreements subject to the above terms. Mr M. A. G. Bland's service agreement commenced on 11 August 1997, Mr I. P. Saward's and Mr S. Sugar's on 1 July 1998 and Mr J. S. Beattie's on 1 December 2003.

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 2004.

Directors' emoluments

The emoluments of the directors for the year ended 30 June 2004 were as follows:

	Salary/ Fees £000	*Bonus Payments £000*	*Benefits in kind £000*	*Total for year ended 30 June 2004 £000*	*Total for year ended 30 June 2003 £000*
Sir Alan Sugar (Chairman)	350	-	-	350	325
M.A.G. Bland	121	35	13	169	179
I.P. Saward	139	30	13	182	178
S.Sugar	158	76	12	246	268
J. S. Beattie	55	26	8	89	-
J.E. Samson – non-executive director	28	-	-	28	25
M.R. Mountford – non-executive director	28	-	-	28	25
	879	167	46	1,092	1,000

Report of the Board on Directors' Remuneration (continued)

Directors' interests in shares

The directors of the Company as at 30 June 2004 had the following interests in the shares of Amstrad plc:

	Ordinary shares of 10p each	
	30 June 2004	*1 July 2003 or date of appointment*
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.S. Beattie	9,000	9,000
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:

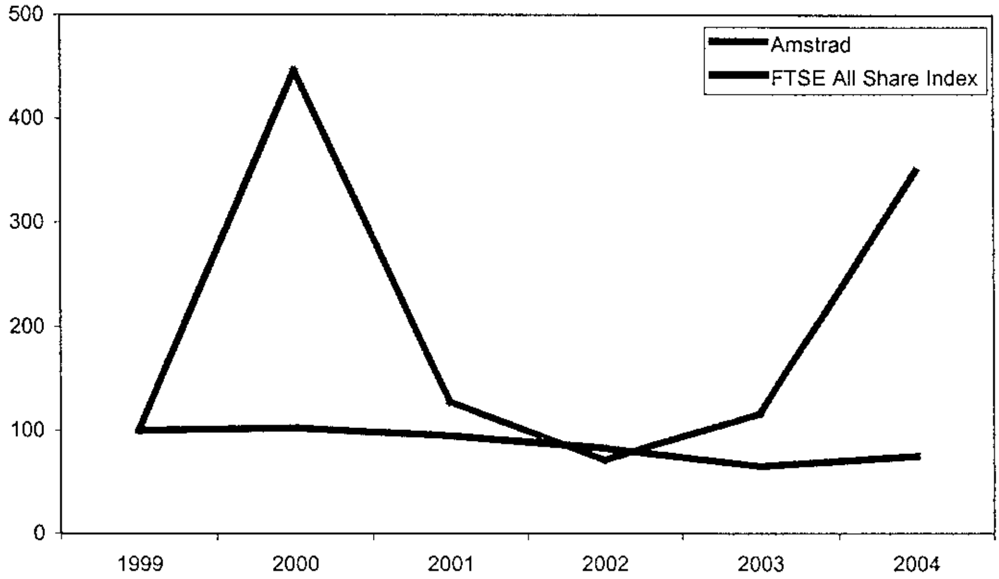
	1 July 2003 or date of appointment	Granted in year	Exercised in Year	30 June 2004	Exercise Price	Exercise Period From	To
M.A.G. Bland	375,000	-	225,000	150,000	31.0p	19.12.00	19.12.04
	100,000	-	-	*100,000*	*26.5p*	*23.10.05*	*23.10.12*
I.P. Saward	53,226	-	53,226	-	31.0p	19.12.00	19.12.04
	96,774	-	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
J.S. Beattie	21,177	-	21,177	-	51.0p	14.03.00	14.03.04
	58,823	-	-	58,823	51.0p	14.03.00	14.03.07
	20,000	-	-	20,000	31.0p	19.12.00	19.12.04
	20,000	-	-	20,000	26.5p	23.10.05	23.10.09
	-	150,000	-	150,000	174.0p	24.03.07	24.03.11

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 2004 was 217.5p (2003: 84.5p). The highest mid-market price during the year was 217.5p and the lowest 79.5p. Mr M. A. G. Bland exercised options over 225,000 shares and immediately sold them at an average price per share of 138p creating a gain before taxation of £240,000. Mr I. P. Saward exercised options over 150,000 shares and immediately sold them at a price per share of 115.5p creating a gain before taxation of £126,000. Mr J. S. Beattie exercised options over 21,177 shares and immediately sold them at a price per share of 154p creating a gain before taxation of £22,000.

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

M.R. Mountford
Chairman of the Remuneration Committee

23 September 2004

Statement of Directors' Responsibilities

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs 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; and
- 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 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement, and the related notes 1 to 25. 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. They are also responsible for the preparation of the other information contained in the annual report including the report of the board on directors' remuneration. Our responsibility is to audit the financial statements and the part of the report of the board on directors' remuneration described as having been audited 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 whether the financial statements and the part of the report of the board on directors' remuneration described as having been audited have been 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 of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the report of the board on directors' remuneration 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 and the part of the report of the board on directors' remuneration described as having been audited. 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 and the part of the directors' remuneration described as having been audited 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 and the part of the report of the board on directors' remuneration described as having been audited.

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 2004 and of the profit of the Group for the year then ended and the financial statements and the part of the report of the board on directors' remuneration described as having been audited have been *properly prepared in accordance with the Companies Act 1985.*

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
23 September 2004

Consolidated Profit and Loss Account

	Note	Group before Amserve £000	Amserve £000	Group £000	Group £000
		Year ended 30 June 2004			*Year ended 30 June 2003*
Group turnover	3	45,227	12,140	57,367	43,849
Cost of sales		(29,737)	(5,772)	(35,509)	(33,101)
Gross profit		15,490	6,368	21,858	10,748
Group distribution costs		(322)	(743)	(1,065)	(1,778)
Group administrative expenses		(3,164)	(2,477)	(5,641)	(5,821)
Group net operating expenses		(3,486)	(3,220)	(6,706)	(7,599)
Group operating profit		12,004	3,148	15,152	3,149
Net interest receivable	4	485	4	489	639
Profit on ordinary activities before taxation	5	12,489	3,152	15,641	3,788
Tax charge on profit on ordinary activities	8			(3,522)	(1,286)
Profit on ordinary activities after taxation				12,119	2,502
Minority interest				(329)	433
Profit attributable to shareholders				11,790	2,935
Dividends	9			(4,044)	(2,404)
Retained profit for the financial year	19			7,746	531
Group basic earnings per share	11			14.6p	3.7p
Group diluted earnings per share	11			14.3p	3.6p
Equity dividends per share	9			5.0p	3.0p

Statement of Total Recognised Gains and Losses

	2004	2003
Profit for the financial year	11,790	2,935
Exchange translation differences on foreign currency net investments	(154)	(93)
Total recognised gains relating to the year	11,636	2,842

The turnover and operating results all relate to continuing operations.

Consolidated Balance Sheet

	Note	30 June 2004 £000	30 June 2003 £000
Fixed assets			
Intangible assets	2	685	990
Tangible assets	12	495	411
		1,180	1,401
Current assets			
Stocks	14	9,378	3,467
Debtors	15	22,647	6,596
Cash at bank and in hand		21,767	24,528
		53,792	34,591
Creditors: amounts falling due within one year	16	(20,119)	(9,521)
Net current assets		33,673	25,070
Total assets less current liabilities		34,853	26,471
Provisions for liabilities and charges	17	(2,377)	(2,288)
Total net assets		32,476	24,183
Called up share capital	18	8,101	8,021
Share premium account	19	6,426	6,134
Capital reserve	19	3,618	3,618
Profit and loss account	19	13,967	6,375
Equity shareholders' funds	20	32,112	24,148
Minority interest	2	364	35
		32,476	24,183

The financial statements were approved by the Board of Directors on 23 September 2004.

Sir Alan Sugar

M.A.G. Bland
Directors

Company Balance Sheet

	Note	30 June 2004 £000	30 June 2003 £000
Fixed assets			
Tangible assets	12	408	302
Investments	13	19,306	19,306
		19,714	19,608
Current assets			
Stocks	14	-	-
Debtors	15	21,748	7,510
Cash at bank and in hand		21,183	23,787
		42,931	31,297
Creditors: amounts falling due within one year	16	(35,146)	(24,984)
Net current assets		7,785	6,313
Total assets less current liabilities		27,499	25,921
Provisions for liabilities and charges	17	(1,961)	(1,742)
Total net assets		25,538	24,179
Called up share capital	18	8,101	8,021
Share premium account	19	6,426	6,134
Capital reserve	19	1,198	1,198
Profit and loss account	19	9,813	8,826
Equity shareholders' funds		25,538	24,179

The financial statements were approved by the Board of Directors on 23 September 2004.

Sir Alan Sugar

M.A.G. Bland
Directors

Consolidated Cash Flow Statement

	Note	*Year ended 30 June 2004 £000*	*Year ended 30 June 2003 £000*
Net cash inflow from operating activities	21	2,791	2,967
Returns on investments and servicing of finance	22	480	686
Taxation (paid)/received	22	(2,981)	355
Capital expenditure	22	(439)	(320)
Equity dividends paid		(2,974)	(1,839)
Cash (outflow)/inflow before financing		(3,123)	1,849
Financing			
Issue of shares		372	74
(Decrease)/Increase in cash in the year		(2,751)	1,923

Reconciliation of net cash flow to movement in cash

(Decrease)/Increase in cash in the year	(2,751)	1,923
Exchange translation differences	(10)	(12)
Cash at 1 July	24,528	22,617
Cash at 30 June	21,767	24,528

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 is recognised when the Group obtains the rights to consideration in exchange for its performance. 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 2004. In line with FRS 10 (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. The identifiable assets and liabilities 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 full financial year after acquisition. 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. Net realisable value is assessed after taking into account future revenue streams generated by products in addition to their basic selling price. This is in keeping with accounting practice generally adopted in this industry where hardware sales are subsidised. The total "subsidy" on e-m@iler units in stock at 30 June 2004 was £2.2m and this will be recognised when the hardware is 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.

(k) **Segmental analysis**

In the opinion of the directors, Amstrad operates one class of business, and the geographical origin of its turnover and profits is the UK. Consequently, other than an analysis of turnover by geographical destination required by the Companies Act 1985, no segmental analysis is provided.

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 2003	990
Goodwill amortisation	(305)
As at 30 June 2004	685

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 from 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 2004 £000	*Year ended 30 June 2003 £000*
United Kingdom	47,785	36,015
USA	6,281	6,169
Mainland Europe	2,537	1,102
Other Countries	764	563
	57,367	43,849

4. Net interest receivable - Group

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Interest receivable from bank	489	639

5. Profit on ordinary activities before taxation

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

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Depreciation of owned tangible fixed assets	365	477
Goodwill amortisation	305	305
Profit on sale of tangible fixed assets	(17)	(22)
Research and development expenditure	2,432	2,181
Operating leases: land and buildings	182	180
Auditors' remuneration - audit	61	58
Auditors' remuneration - interim review	9	8
Auditors' remuneration - taxation	55	74
Directors' emoluments	1,092	1,000

The Group's expenditure above on auditors' remuneration for audit work amounted to £61,000 (2003: £58,000) and included £37,000 (2003: £34,000) 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 2004 No.	*Year ended 30 June 2003 No.*
Administration	26	24
Sales and marketing	4	5
Warehousing, service and distribution	3	3
Technical and product management	49	45
	82	77

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Wages and salaries, including bonuses	3,858	3,602
Social security costs	409	348
	4,267	3,950

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

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Tax based on the profit/(loss) on ordinary activities for the year:		
UK Corporation tax at 30% (2003: 30%)	(3,926)	(1,162)
Adjustments in respect of prior periods	130	(7)
Overseas tax	(94)	(117)
Current tax charge	(3,890)	(1,286)
Deferred tax credit	368	-
	(3,522)	(1,286)

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

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% (2003: 30%) as explained below:

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Profit/(loss) on ordinary activities at the standard rate of corporation tax of 30%	(4,692)	(1,136)
Effects of:		
Expenses not deductible for tax purposes	(109)	(107)
Capital allowances in excess of depreciation	60	36
Movement in short-term timing differences	(4)	(72)
Adjustments in respect of prior periods	130	(7)
Utilisation of tax losses	725	-
Current tax charge	(3,890)	(1,286)

9. Dividends

The directors propose an increased final dividend of 3.5p (2003: 2.2p) per share, which together with the interim dividend of 1.5p (2003: 0.8p) per ordinary share paid on 6 April 2004 makes a total distribution of 5.0p (2003: 3.0p) per ordinary share in respect of the year ended 30 June 2004.

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 £5.0 million (2003: £1.7 million).

11. Basic Earnings per share and diluted earnings per share

The basic earnings per share is based on the profit for the year attributable to shareholders of £11,790,000 (2003: £2,935,000) and on the average number of shares in issue during the year of 80,592,749 (2003: 79,983,988). Diluted earnings per share is based on the same earnings figure as above and 82,334,375 (2003: 80,433,013) ordinary shares which includes the addition of the weighted average number of ordinary shares that would be issued on the potential exercise of outstanding share purchase options at a price below the average share price during the year.

12. Tangible fixed assets

	Motor Vehicles £000	*Fixtures fittings tools and equipment £000*	*Total £000*
Group			
Cost			
At 1 July 2003	294	1,560	1,854
Exchange adjustment	(3)	(17)	(20)
Additions	-	495	495
Disposals	(168)	-	(168)
At 30 June 2004	123	2,038	2,161
Depreciation			
At 1 July 2003	161	1,282	1,443
Exchange adjustment	-	(13)	(13)
Charge for the year	47	318	365
Disposals	(129)	-	(129)
At 30 June 2004	79	1,587	1,666
Net book value			
At 30 June 2004	44	451	495
At 30 June 2003	133	278	411
Company			
Cost			
At 1 July 2003	179	1,300	1,479
Additions	-	409	409
Disposals	(82)	-	(82)
At 30 June 2004	97	1,709	1,806
Depreciation			
At 1 July 2003	101	1,076	1,177
Charge for the year	32	254	286
Disposals	(65)	-	(65)
At 30 June 2004	68	1,330	1,398
Net book value			
At 30 June 2004	29	379	408
At 30 June 2003	78	224	302

13. Investments - Company

Investments of the Company at 30 June 2004 comprise shares in subsidiary undertakings at cost of £19,306,000 (2003: £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	100.0%	United Kingdom
Amstrad International Limited	100.0%	Hong Kong

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

14. Stocks

	Group		*Company*	
	30 June 2004 £000	*30 June 2003 £000*	*30 June 2004 £000*	*30 June 2003 £000*
Finished goods and goods for resale	8,343	3,341	-	-
Raw materials and consumables	1,035	126	-	-
	9,378	3,467	-	-

The difference between the carrying value of the stocks and their replacement cost is not material.

15. Debtors

	Group		*Company*	
	30 June 2004 £000	*30 June 2003(Re-stated) £000*	*30 June 2004 £000*	*30 June 2003(Re-stated) £000*
Trade debtors	9,715	3,038	8,957	2,228
Amounts owed from subsidiary undertakings	-	-	2,158	3,342
Other debtors	10,024	1,649	10,022	1,649
Prepayments and accrued income	2,443	1,852	212	235
Corporation tax recoverable	97	57	-	-
Group relief receivable	-	-	130	56
Deferred tax asset	368	-	269	-
	22,647	6,596	21,748	7,510

Other debtors principally relates to amounts owed by finished product suppliers for key components sourced by Amstrad for use in future production. In the prior year comparatives the split of debtors between Trade debtors and Other debtors has been re-stated accordingly.

An analysis of the deferred tax balance is as follows:

	Group		*Company*	
	30 June 2004 £000	*30 June 2003 £000*	*30 June 2004 £000*	*30 June 2003 £000*
Fixed asset timing differences	262	-	247	-
Other short term timing differences	106	-	22	-
	368	-	269	-

16. Creditors: amounts falling due within one year

	Group		Company	
	30 June 2004 £000	*30 June 2003 £000*	*30 June 2004 £000*	*30 June 2003 £000*
Trade creditors	9,983	2,900	9,549	2,682
Amounts owed to subsidiary undertakings	-	-	19,158	18,298
Corporation tax payable	2,356	1,441	23	-
Overseas tax payable	134	101	-	-
Other taxes and social security	1,028	575	569	262
Accruals and deferred income	3,783	2,739	3,012	1,977
Dividend payable	2,835	1,765	2,835	1,765
	20,119	9,521	35,146	24,984

17. Provisions for liabilities and charges

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

	Group			Company		
	Warranty £000	*Other Claims £000*	*Total £000*	*Warranty £000*	*Other Claims £000*	*Total £000*
At 1 July 2003	1,588	700	2,288	1,042	700	1,742
Provided in the year	1,387	-	1,387	1,210	-	1,210
Released in the year	(324)	-	(324)	(324)	-	(324)
Utilised in the year	(974)	-	(974)	(667)	-	(667)
At 30 June 2004	1,677	700	2,377	1,261	700	1,961

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

18. Called up share capital

	30 June 2004		*30 June 2003*	
	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	81,013,836	8,101	80,209,659	8,021

During the year 804,177 shares were issued in respect of share options exercised for a total consideration of £372,000.

18. Called up share capital (continued)

The following options to subscribe for shares have been granted and were outstanding at 30 June 2004 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	58,823	51.0p	14.03.00	14.03.07
19 December, 1997	220,000	31.0p	19.12.00	19.12.04
19 December, 1997	65,000	31.0p	19.12.00	19.12.07
5 October, 1998	650,000	30.0p	05.10.01	05.10.05
5 October, 1998	90,000	30.0p	05.10.01	05.10.08
20 October, 1999	25,096	106.0p	20.10.02	20.10.06
20 October, 1999	142,404	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
1 November, 2000	20,000	166.5p	01.11.03	01.11.07
27 March, 2001	13,000	59.0p	27.03.04	27.03.08
27 March, 2001	86,500	59.0p	27.03.04	27.03.11
20 March, 2002	100,000	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
1 October 2003	150,000	117.0p	01.10.06	01.10.13
24 March 2004	165,518	174.0p	24.03.07	24.03.11
24 March 2004	34,482	174.0p	24.03.07	24.03.14

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

19. Share premium account and reserves

	Share premium account £000	*Capital reserve £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 July 2003	6,134	3,618	6,375	16,127
Premium on shares issued during the year	292	-	-	292
Profit retained for the financial year	-	-	7,746	7,746
Currency translation differences on foreign currency net investments	-	-	(154)	(154)
At 30 June 2004	6,426	3,618	13,967	24,011
Accumulated goodwill written off against reserves	-	-	5,191	5,191
Company				
At 1 July 2003	6,134	1,198	8,826	16,158
Premium on shares issued during the year	292	-	-	292
Profit retained for the financial year	-	-	987	987
At 30 June 2004	6,426	1,198	9,813	17,437

20. Reconciliation of movements in shareholders' funds

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
At 1 July	24,148	23,636
Shares issued during the year	372	74
Profit for the year	11,790	2,935
Exchange translation differences	(154)	(93)
Dividends	(4,044)	(2,404)
At 30 June	32,112	24,148

21. Net cash inflow from operating activities

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Operating profit	15,152	3,149
Exchange translation differences	(139)	(77)
Goodwill amortisation	305	305
Depreciation	365	477
Profit on sale of tangible fixed assets	(17)	(22)
(Increase)/Decrease in stocks	(5,911)	1,397
(Increase)/Decrease in debtors	(15,648)	671
Increase/(Decrease) in creditors	8,595	(2,181)
Increase/(Decrease) in provisions	89	(752)
Net cash inflow from operating activities	2,791	2,967

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

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
(a) Returns on investments and servicing of finance		
Interest received	480	686
(b) Taxation paid		
UK corporation tax (paid)/received	(2,921)	465
Overseas tax paid	(60)	(110)
	(2,981)	355

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

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
(c) Capital expenditure		
Purchase of tangible fixed assets	(495)	(376)
Sale of tangible fixed assets	56	56
Net cash outflow from capital expenditure	(439)	(320)

23. *Financial instruments*

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

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since 1 July 2003.

(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 2004 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 manage 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.

23. Financial instruments (continued)

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

	30 June 2004 £000	*30 June 2003 £000*
Sterling	14,230	13,093
US Dollar	7,520	11,385
Other Currencies	17	50
	21,767	24,528

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 2004 the Group had an unsecured overdraft facility of £5.5m (2003: £3.0m) which is renewable annually on 31 December. No amounts were utilised under this facility as at 30 June 2004 (2003: £nil).

As at 30 June 2004 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 2004 the net US dollar asset was £8.8m (2003: £10.1m asset). As at 30 June 2004 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 manage the currency exposures that arise on purchases denominated in foreign currencies. As at 30 June 2004 the Group had forward foreign exchange contracts totalling $34m (2003: $12m) covering certain US dollar denominated purchasing commitments in the new financial year. As at 30 June 2004 there was no material difference between the exchange rates in these forward contracts and the closing exchange rate on 30 June 2004.

24. Financial commitments

(a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (2003: £nil). There were no other contracted commitments, other than those provided in the financial statements (2003: £nil).

(b) Operating lease commitments

At 30 June 2004 the Group had annual commitments under operating leases relating to land and buildings as follows:

	Year ended 30 June 2004 £000	*Year ended 30 June 2003 £000*
Expiring within one year	182	-
Expiring between two and five years inclusive	-	180
	182	180

25. 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 £182,000 (2003: £180,000) 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 £12,630 (2003: £24,123). Amstrad plc charged Learning Technology Ltd £28,514 (2003: £6,883) for technical and procurement services supplied during the year.

During the year £3,000 (2003: £9,360) was paid to Amsair 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 21 May 2003 for the purchase from Tottenham of advertising and box hire relating to the 2003/2004 football season, for a total consideration of £33,000. On 14 June 2004 a new one year contract was agreed for the 2004/2005 football season for a total consideration of £33,900.

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 2004	Year ended 30 June 2003	Year ended 30 June 2002	Year ended 30 June 2001	Year ended 30 June 2000
Turnover:	£000	£000	£000	£000	£000
Group and share of joint venture	57,367	43,849	40,204	65,017	128,435
Less: share of joint venture	-	-	(474)	(4,130)	(1,006)
Group turnover	57,367	43,849	39,730	60,887	127,429
Gross profit	21,858	10,748	7,202	8,949	20,371
Net operating expenses	(6,706)	(7,599)	(9,552)	(4,453)	(7,237)
Operating profit/(loss) before exceptional items	15,152	3,149	(2,350)	4,496	13,134
Share of joint venture operating loss	-	-	(571)	(5,062)	(1,090)
Total operating profit/(loss)	15,152	3,149	(2,921)	(566)	12,044
Net interest receivable/(payable)	489	639	1,136	1,526	1,058
Profit/(Loss) before taxation	15,641	3,788	(1,785)	960	13,102
Taxation	(3,522)	(1,286)	(50)	(404)	(4,201)
Profit/(Loss) after taxation	12,119	2,502	(1,835)	556	8,901
Minority interest	(329)	433	386	-	-
Profit/(Loss) attributable to shareholders	11,790	2,935	(1,449)	556	8,901
Dividends	(4,044)	(2,404)	(1,839)	(1,832)	(1,814)
Retained profit/(loss) for the year	7,746	531	(3,288)	(1,276)	7,087
Basic earnings/(Loss) per share	14.6p	3.7p	(1.8)p	0.7p	11.3p
Dividends per share	5.0p	3.0p	2.3p	2.3p	2.3p
Capital employed					
Fixed assets	1,180	1,401	1,846	553	2,260
Net operating assets	31,296	22,782	22,258	26,439	25,678
Net assets	32,476	24,183	24,104	26,992	27,938
Financed by					
Share capital	8,101	8,021	7,997	7,993	7,913
Reserves and share premium	24,011	16,127	15,639	18,999	20,025
Equity shareholders' funds	32,112	24,148	23,636	26,992	27,938
Minority interest	364	35	468	-	-
	32,476	24,183	24,104	26,992	27,938

Notice of meeting

NOTICE IS HEREBY GIVEN that the sixteenth Annual General Meeting of the Company will be held at the Mary Green Manor Hotel, London Road, Brentwood, Essex CM14 4NR on Thursday 25 November 2004 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 2004 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 2004.
3. To declare a final dividend of 3.5p per ordinary share.
4. To re-elect Mr M. A. G. Bland who retires by rotation (Note 1).
5. To re-elect M J. E. Samson who retires by rotation (Note 2).
6. To elect Mr J. S. Beattie who was appointed to the Board since the last Annual General Meeting (Note 3).
7. 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 8 will be proposed as an ordinary resolution and resolution number 9 will be proposed as a special resolution:

8. 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 £710,895 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.

9. That subject to the passing of resolution 8 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 £405,069,

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

Notes:

1. Mr M.A.G. Bland, aged 45, is the Company's Finance Director and Company Secretary. He was appointed to the Board on 11 August 1997 and has worked for Amstrad for over 10 years. He previously worked for Rio Tinto plc and Coopers & Lybrand.

2. Mr J.E. Samson, aged 76, is the Company's senior Non-Executive Director. He was appointed to the Board on 21 October 1997. A profile of Mr J.E. Samson is set out on Page 1.

3. Mr J.S. Beattie, aged 50, is the Company's Production Director. He was appointed to the Board on 1 December 2003 and has worked for Amstrad for 25 years in a variety of production and quality-related roles.

4. Any member entitled to attend and vote at the Meeting convened by the above Notice may appoint one or more proxies to attend and vote instead of him/her. The proxy need not be a member of the Company. A form of proxy is enclosed and to be valid, it must be lodged at the offices of the Company's registrars, 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.

5. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those members registered in the register of members of the Company as at 11.00 a.m. on 23 November 2004 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 23 November 2004 will be disregarded in determining the rights of any person to attend or vote at the Meeting.

6. A statement of the share transactions, if any, of each director up to and including 23 September 2004 and copies of their contract of services, where applicable, are available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday excepted) until the date of the Meeting and shall also be available at the place of the Meeting for at least 15 minutes prior to the Meeting and until the conclusion of that Meeting.

Dated 23 September 2004

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 Thursday 25 November 2004 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 2004 and the directors' and auditors' reports thereon	☐	☐
2. To approve the Report of the Board on Directors Remuneration for the year ended 30 June 2004	☐	☐
3. To declare a final dividend of 3.5p per ordinary share	☐	☐
4. To re-elect Mr M. A. G. Bland as a director	☐	☐
5. To re-elect Mr J. E. Samson as a director	☐	☐
6. To elect Mr J. S. Beattie	☐	☐
7. 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	☐	☐
8. To give the directors authority to allot shares	☐	☐
9. 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 shareholders attending and voting at the Meeting should they subsequently decide to do so.