

94 2631/47

AMSTRAD

**Amstrad Consumer Electronics
Limited**

Offer for Sale
by
Kleinwort, Benson Limited



A copy of this Offer for Sale, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the issued share capital of Amstrad Consumer Electronics Limited (the "Company") to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

The application list for the ordinary shares now offered for sale will open at 10 a.m. on Thursday, 17th April, 1980 and may be closed at any time thereafter. The procedure for application is set out at the end of this Offer for Sale.

Amstrad Consumer Electronics Limited

JA. Caldwell
A. Benson

Offer for Sale

by

W. F. Sherrin
[Signature]
[Signature]

Kleinwort, Benson Limited

of

**2,331,250 ordinary shares of 25p each
at 85p per share**

payable in full on application

The ordinary shares now offered for sale will rank in full for all dividends hereafter declared or paid on the ordinary share capital of the Company.

SHARE CAPITAL

Authorised
£2,500,000

in 10,000,000 ordinary shares of 25p each

Issued and
fully paid
£2,331,250

INDEBTEDNESS

At 31st March, 1980 the Company had outstanding no mortgages, charges or loan capital (including term loans) or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

Contents

| | <i>Page</i> |
|---|-------------|
| Directors | 3 |
| Summary | 4 |
| Chairman's Letter | 5 |
| History and Business | 5 |
| Product Range | 6 |
| Marketing Philosophy | 7 |
| Directors, Management and Staff | 7 |
| Properties | 8 |
| Profits and Prospects | 8 |
| Dividends | 8 |
| Appropriation of Profit and Offer for Sale Statistics | 9 |
| The Future | 9 |
| | |
| Accountants' Report | 10 |
| Accounting Policies | 10 |
| Profit and Loss accounts | 11 |
| Balance Sheet at 31st December, 1979 | 12 |
| Source and Application of Funds | 13 |
| | |
| Appendix I—Profit forecast assumptions and letters | 14 |
| | |
| Appendix II—Statutory and General Information | 15 |
| | |
| Procedure for Application | 18 |

This contents page does not form part of the Offer for Sale and is included only in copies printed in booklet form.

| | | |
|---|--|---|
| Directors | <p>Alan Michael Sugar <i>Chairman and Managing Director</i></p> <p>James Leonard Rice, B.A. <i>Finance Director</i></p> <p>Ronald Joseph East, M.A. <i>Non-Executive Director</i></p> <p>Neville Fraser Shearman, F.C.C.A. <i>Non-Executive Director</i></p> | <p>Amstrad Consumer Electronics Limited, 1-7 Garman Road, Tottenham, London N17 0UF</p> |
| Secretary and Registered Office | James Leonard Rice, B.A. | Amstrad Consumer Electronics Limited, 1-7 Garman Road, Tottenham, London N17 0UF |
| Auditors and Reporting Accountants | Touche Ross & Co. <i>Chartered Accountants</i> | Hill House, 1 Little New Street, London EC4A 3TR |
| Solicitors To the Company and to the Offer | Herbert Smith & Co. | Watling House, 35-37 Cannon Street, London EC4M 5SD |
| Stockbrokers | W. Greenwell & Co. | Bow Bells House, Bread Street, London EC4M 9EL |
| Bankers | Lloyds Bank Limited | 19 Upper Street, London N1 0PT |
| Receiving Bankers | Kleinwort Benson Limited | New Issue Department, 10 Rood Lane, London EC3M 8BB |
| Registrars and Transfer Office | Lloyds Bank Limited | Goring-by-Sea, Worthing, West Sussex BN12 6DA |

Summary

The following information is derived from the full text of this Offer for Sale and accordingly must be read in conjunction with that text.

| Trading Record | | | | | |
|---|--|---|---|---|---|
| | <i>18 months and 23 days ended 30th June, 1976</i> | <i>Year ended 30th June, 1977</i> | <i>Year ended 30th June, 1978</i> | <i>Year ended 30th June, 1979</i> | <i>6 months ended 31st December, 1979</i> |
| | £000 | £000 | £000 | £000 | £000 |
| Sales | 3,790 | 3,831 | 4,451 | 5,597 | 4,797 |
| Profit before and after taxation and after extraordinary item in 1977 of £110,000 . . | 555 | 473 | 525 | 908 | 871 |

Assets at 31st December 1979

| | |
|--|--------------|
| Net tangible assets | £3.7 million |
| Net tangible assets per share, on the basis of the 9,325,000 shares now in issue . . | 40.0p |

Forecast for the year ending 30th June, 1980

| | |
|--|--------------|
| Profit before taxation—not less than | £1.3 million |
|--|--------------|

Earnings per share, on the basis of the 9,325,000 shares now in issue:

| | |
|---|-------|
| Based on expected tax charge (before proposed dividend waiver) of £80,000 (being Advance Corporation Tax in respect of forecast final dividend per share of 2.0p) | 13.1p |
| Based on notional tax charge of £675,000 (being at the rate of 52 per cent.) . . | 6.7p |

| | |
|---|------|
| Dividends per share which the Directors would have expected to recommend to be paid if the share capital of the Company had been listed for the whole of the year | 3.3p |
|---|------|

Dividend cover based on dividend per share of 3.3p

| | |
|---|-----------|
| Based on notional tax charge (before dividend waiver) of £132,000 (being Advance Corporation Tax in respect of a dividend per share of 3.3p) .. | 3.8 times |
| Based on notional tax charge of 52 per cent. | 2.0 times |

Offer for Sale Statistics

| | |
|---|--------------|
| Offer for Sale price per share | 85p |
| Market capitalisation at the Offer for Sale price | £7.9 million |

Price earnings multiple on forecast profits:

| | |
|--|------------|
| Based on expected tax charge of £80,000 | 6.5 times |
| Based on notional tax charge of 52 per cent. | 12.7 times |

| | |
|---|---------------|
| Dividend yield based on dividends per share of 4.7p (being 3.3p including the related tax credit assumed at 3/7ths) | 5.5 per cent. |
|---|---------------|

The following is a copy of a letter to the Directors of Kleinwort, Benson Limited from Mr. A. M. Sugar, Chairman and Managing Director of Amstrad Consumer Electronics Limited:—

1--7 Garman Road,
Tottenham,
London N17 0UF

10th April, 1980

The Directors,
Kleinwort, Benson Limited

Dear Sirs,

In connection with your Offer for Sale of ordinary shares in Amstrad Consumer Electronics Limited (the "Company"), I have pleasure in providing you with the following information about the Company.

History and Business

The Company was formed in 1968 to carry on the business of the wholesale distribution of car accessories and other electrical finished goods which I started in 1966. The hi-fi market was then in the early stages of development and the Company expanded its range of products to include hi-fi equipment.

In the late 1960's and early 1970's the hi-fi market revolved, to a considerable extent, around the enthusiast who assembled his own hi-fi equipment and this made individual items such as cabinets and tinted plastic lids for record players much in demand. By 1970 it became apparent that these plastic lids could be manufactured at significantly less cost if they were made, in volume, by the injection-moulding process instead of the vacuum-forming process then being used by most manufacturers. The Company adopted this process and sales quickly exceeded expectations.

The profits generated by this venture enabled the Company to invest in the next stage of its development in the then fast expanding hi-fi market, with the production of a hi-fi amplifier. The Company recruited a design engineer and in 1971 stereo amplifiers were first manufactured in the Company's premises in London. Sales were backed by advertising in hi-fi magazines and participation in hi-fi exhibitions throughout the country. The success of this amplifier prompted the Company to make a matching stereo FM tuner which was promoted in the same way and met with similar success.

The Company found that retail outlets were requesting the supply of hi-fi equipment not yet included in the product range. At this stage the Company moved to larger premises which enabled it to manufacture receivers (tuner and amplifier combined), loudspeakers and record players. As demand grew, specialist sub-contracting firms were used to make sub-assemblies for use by the Company in the final assembly of its units. This enabled production to be increased without a corresponding increase in overheads and expenses.

By 1974 the brand name "Amstrad" had become popular within the hi-fi market and during 1974 the Company extended its range to include the increasingly popular stereo cassette deck (an add-on item which allows cassette tapes to be played through existing hi-fi equipment), for which it had a ready-made market in the form of owners of Amstrad hi-fi equipment. It was not then practicable to produce cassette decks in the U.K. since neither the parts nor the technology were available at an economic price, and the Company decided to import stereo cassette decks from Japan. These imports subsequently incorporated the popular Dolby noise reduction system. Sales of cassette decks were substantial and the Company realised the advantages of combining the import of a finished product, over which it retained control of quality and specifications, with the Amstrad brand name.

The Company's development continued with its expansion into the in-car entertainment market, a rapidly growing area which could be exploited to advantage using the Amstrad brand name and offering good quality sound reproduction for the car. Car radio/cassette units were first imported in 1975 and subsequently car radios, cassette players and graphic equalisers (sound amplification systems) were added to the range.

In the early part of 1977 the Company decided to redesign its range of hi-fi products to meet changing demands in the market and take advantage of new technology and styling. It was at this time fashionable to stack separate components of a hi-fi system, namely the amplifier, tuner and cassette deck, into a custom built racking unit for the sake of appearance and style. Units of popular Japanese systems were being produced with brushed silver aluminium panels to a uniform style and size to enable them to be stacked in this way, and the redesign of the Company's range took account of this, resulting in products manufactured in the U.K. with Japanese styling.

The new range proved successful and, as the Company was able to offer customers in Europe a more flexible service and delivery schedule than rival Far Eastern manufacturers whilst providing similar styling, these products were also purchased by other companies to sell under their own brand names in the U.K. and overseas. In 1978 the Company became a full licensee of Dolby Laboratories Licensing Corporation and this enabled it to produce, under licence, Dolby noise reduction circuits for cassette decks designed by the Company to match its newly styled range of amplifiers, tuners and receivers.

By the end of 1977, the Company was fully established in its present headquarters in Garman Road, Tottenham. In addition to importing the in-car entertainment products, the Company was using sub-contractors to carry out the whole assembly operation for its hi-fi products. By late 1978, the Company had acquired a manufacturing facility at Southend which was principally a cabinet works. This factory was reorganised to produce racking units and hi-fi speakers, mainly for other companies to sell under their own brand names in the U.K. and overseas.

During late 1978, the Company entered the sector of the market which, in its view, attracts probably the largest volume of spending on consumer electronic items. This sector covers, *inter alia*, clock radios, portable radios, portable cassette players and recorders, portable televisions and music centres. The Company tested its brand name in this market by importing a clock radio and, following the success of this item, introduced a clock radio/cassette and a portable black and white television, both also imported from the Far East. In addition the Company built on its success with the racked system by producing a Tower system which combined the appearance of separate racked units with the economy of a music centre in which the amplifier, tuner and cassette deck are integrated in one chassis. By late 1979 this unit was being assembled at the Southend plant, using a main electronic chassis produced by a sub-contractor in the Far East to the Company's specification, design and tooling. Entry into this sector of the consumer electronics market opened up new sales outlets for the Company consisting largely of mail order companies, whose method of ordering gives the Company a more stable demand forecast on which to base its production.

The Company is now well established in three market sectors: hi-fi, in-car entertainment and the sector of the consumer electronics market mentioned above. The Company has developed considerable skill and expertise in meeting the demand in these markets economically and effectively by selecting and combining various methods, i.e.: the import of finished and semi-finished goods; the use of sub-contractors to assemble products in the U.K.; and its own manufacture and assembly. In all cases the Company retains full control over the design, development, manufacture and quality of its products. Virtually all components are readily available from a wide range of sources.

Product Range

The Company's products are generally priced at the lower end of the price range in their market. Retail prices vary from approximately £12 for car speakers to approximately £180 for the Tower system. The main products presently marketed under the Amstrad brand name by the Company are:—

Hi-Fi Equipment

Speakers
Tuner, amplifier and tuners
Cassette deck incorporating the Dolby system
Receivers
Microcassette

In-Car Entertainment

Speakers
Graphic equalisers
Radios, cassette players
and radio/cassette units

Other

Clock radio and
Clock radio/cassette recorder
Portable black and white televisions
Tower system

New products to be introduced during 1980 and 1981

New products to be introduced in 1980 and 1981 include: a portable radio; three portable radio/cassette recorders; a music centre; two stereo cassette decks incorporating the Dolby system with facilities to accept the recently introduced metal tapes; an amplifier incorporating a graphic equaliser and light emitting diodes to provide continuous monitoring of output; a high quality micro amplifier capable of high power output; a micro pre-amplifier incorporating a graphic equaliser; and a synthesised micro tuner (using micro-processor technology) incorporating a digital display, clock function and station pre-selection facilities. In addition to introducing these products the Company intends to update existing products in order to take account of the latest styling and technology.

Marketing Philosophy

The Company's marketing philosophy is to supply to the mass market products which provide the highest possible technical specification at a price affordable by the average man in the street. The Company seeks to be flexible as regards design by maintaining a continuous review of world-wide advances. We sometimes innovate, but for the most part seek to make use of and develop concepts which have been proven to be successful. We have not found patent protection of significance to our business in terms of enhancing the value of our innovations; nor have the patents and copyrights of others imposed any material constraint on us.

The Company promotes its products through national and trade press and participates in trade and public exhibitions, including the annual Radio Trade Show in London. In the United Kingdom, sales are made to retail outlets, including chain stores such as Comet Radiovision Services Limited, F. W. Woolworth & Co. Limited, Rediffusion Limited and Telefusion Limited and specialist hi-fi shops, to mail order concerns such as Littlewoods and Great Universal Stores, and to a large buying group of over 700 independent retailers. In the year ended 30th June, 1979, sales to Comet Radiovision Services Limited amounted to approximately £2.2 million. By the end of 1980 the Directors anticipate that the volume of sales to the new chain stores and mail order outlets developed in the last 18 months will in total exceed those to Comet Radiovision Services Limited. Export sales, which for the year ended 30th June, 1979 accounted for approximately 26 per cent. of turnover, are made through agents in the countries concerned, principally France, Belgium, Holland, Spain and Greece.

Directors, Management and Staff

Directors

I am the Chairman and Managing Director of the Company, which I founded in 1968. I am 33 years old. I regard as one of my main responsibilities the vital function of the identification of new markets and the selection of the method of meeting demand in the most economical and efficient way.

Mr. J. L. Rice, B.A. (aged 34) has been with the Company since 1977. He joined the Board in February, 1980 and is Finance Director and Company Secretary. In the 7 years prior to joining the Company he carried out accounting and financial management functions in other manufacturing companies.

Mr. R. J. East, M.A. (aged 48) is a Non-Executive Director who joined the Board in February 1980. He is the Deputy Chairman of Bernard Wardle and Company Limited. He was previously a Director and Chairman of a number of companies within the G.K.N. Group up to late 1977; before that he was with the Ford Motor Company.

Mr. N. F. Shearman, F.C.C.A. (aged 55) is a Non-Executive Director who joined the Board in February 1980. He is a senior partner of Mordant Latham & Co., formerly the Company's auditors. He has considerable experience in financial aspects of the light electronics industry and has advised the Company on financial matters for several years.

Management and Staff

An Executive Committee has been established to carry out the day to day management of the Company, within parameters determined by the Board, and consists of myself, Mr. J. L. Rice and the following senior management personnel: Mr. S. F. Randall (aged 39) who is responsible for purchasing and administration and has been with the Company since 1970; Mr. S. Burns (aged 43) who is responsible for production control and has been with the Company since January 1977; Mr. M. Forsey (aged 40) who is Chief Engineer and responsible for the technical aspects of the business, including research and development, and has been with the Company since 1974; and Mr. R. A. Mould (aged 34) who is the Sales Manager and has been with the Company since 1975. Members of the Committee attend Board Meetings from time to time.

I have a service agreement for an initial term expiring on 30th June, 1985, and all the other members of the Executive Committee have service agreements for initial terms expiring on 30th June, 1982. All the agreements will continue after those dates unless and until determined by six months' notice on either side.

The Company currently has 132 employees of whom 93 are engaged in production, quality control and transport and 39 in sales, servicing and administration. The Company is contracted in to the State Scheme for its pension arrangements.

Properties

The Company owns the freehold of its premises at 1-7 Garman Road, Tottenham, London N17 0UF, comprising a gross area of about 44,000 square feet which incorporates the Company's headquarters, accounting and administration offices and a warehousing area. The Company acquired the premises in May, 1977. In September, 1979 the property was valued by Chamberlain & Willows, Surveyors and Valuers, at £395,000 on an existing use basis, and it was included in the accounts at 30th June, 1979 at this valuation.

The Company owns an underleasehold interest in 14 Stock Road, Southend-on-Sea. The term expires in July, 1991. The current rent, which was fixed in August, 1979, is £17,500 and is subject to upwards only review in August, 1982 and every 3 years thereafter. The premises have an area of some 15,700 square feet and comprise a modern factory with warehousing facilities and ancillary office space.

Profits and Prospects

The Company has achieved continuously rising sales during its last five financial periods and margins throughout have been good.

During 1977 and 1978 margins were affected by a sharp rise in costs experienced by the industry generally, the disruption to the Company's business caused by the move to Tottenham and the launching period of a new range of hi-fi products.

The Amstrad brand name is now widely recognised in the market and associated with good value and up-to-date design. The Company has steadily introduced new products and opened up new market sectors, its breakthrough in 1979 into the mail order business being particularly significant.

The Company's success has been achieved in a very competitive industry. The Company's record demonstrates its ability to stay ahead of its competitors, by using an individual and flexible approach to production and by identifying new markets and introducing new products profitably, quickly and with confidence.

Since 31st December, 1979 the Company has experienced the normal seasonal downturn in both sales growth and margins during the second half of its financial year. Nevertheless, the accounts for the eight months ended 29th February, 1980 (which include unaudited management accounts for the last two months of that period), show that, compared with the same period last year, there has been substantial sales growth in real terms and margins have improved. On the basis of the assumptions set out in paragraph 1 of Appendix I to this Offer for Sale, the Directors forecast that, in the absence of unforeseen circumstances, the Company's profit before taxation and extraordinary items for the year ending 30th June, 1980 will be not less than £1,300,000, compared with £908,311 for the year ended 30th June, 1979.

Dividends

On the basis of the above forecast, the Directors intend to recommend a single net dividend of 2.0p per ordinary share (equivalent to 2.86p gross per ordinary share with the related tax credit at the current rate of 3/7ths) on each ordinary share in respect of the year ending 30th June, 1980. This dividend will be paid in November 1980.

If the above forecast had related to a year during the whole of which the share capital of the Company had been listed, the Directors would have expected to recommend dividends of such amounts per ordinary share as would, when added to the related tax credit at the current rate of 3/7ths, have produced a gross equivalent of 4.7p per ordinary share payable as follows:—

| | |
|---------|---------------------------|
| | <i>Per ordinary share</i> |
| Interim | 1.84p payable in April |
| Final | 2.86p payable in November |
| | <hr/> |
| | 4.70p |
| | <hr/> |

I intend to waive my entitlement to dividends in respect of the year ending 30th June, 1980, except for a nominal 0.1p per ordinary share.

Appropriation of Profit and Offer for Sale Statistics

By way of illustration only, the following table sets out how a profit before taxation of £1,300,000 for the year ending 30th June, 1980 would be appropriated:—

- (a) excluding the costs of the Offer for Sale; and
 (b) (i) assuming a charge for corporation tax of £80,000, being unrelieved Advance Corporation Tax calculated on the basis of existing tax legislation and without taking account of the proposed dividend waiver, and on the assumptions on which the profit forecast has been prepared and taking into account forecast stock levels and capital expenditure, and (ii) assuming a notional tax charge at a rate of 52 per cent.

| | (i) Expected tax charge of £80,000 | (ii) Notional tax charge at a rate of 52 per cent. |
|---|---|--|
| | £000 | £000 |
| Profit before taxation | 1,300 | 1,300 |
| less: taxation | 80 | 676 |
| Profit after taxation | 1,220 | 624 |
| less: Forecast final dividend | 187 | 187 |
| Retained profit (before proposed dividend waiver) .. | 1,033 | 437 |
| Earnings per ordinary share based on 9,325,000 issued shares | 13.1p | 6.7p |
| Price earnings multiple at the Offer for Sale price of 85p per ordinary share | 6.5 times | 12.7 times |
| Dividend yield based on the dividends per ordinary share of 4.7p (inclusive of related tax credit assumed at 3/7ths) which the Directors would have expected to recommend if the share capital of the Company had been listed for the whole of the year | | 5.5 per cent. |
| Dividend cover based on dividends per ordinary share of 3.3p (being 4.7p net of related tax credit assumed at 3/7ths) Based on notional tax charge (before dividend waiver) of £132,000 (being Advance Corporation Tax in respect of a dividend per share of 3.3p) | | 3.8 times |
| Based on notional tax charge of 52 per cent. | | 2.0 times |

At the Offer for Sale price of 85p per ordinary share, the Company is capitalised at approximately £7.9 million.

The Future

My fellow Directors and I believe that by continuing to use an individual and flexible approach to production, and by maintaining our overall strategy of offering quality products at an economic price the Company will continue to expand its business.

The Company is well established in the hi-fi and in-car entertainment markets and intends to continue in these markets by updating existing products and introducing new products to take account of new technology and marketing opportunities. We believe that the sector of the consumer electronics market which we have entered in the last 18 months with clock radio, radio/cassette, music centre and television products holds considerable potential for further growth in our sales.

The Company is conscious of many opportunities which will arise for it to exploit the skill and expertise it has developed in meeting the demand for its products. We are ready to take advantage of new technology in the consumer electronics field and to explore opportunities in other markets allied to our existing business.

Yours faithfully,
 A. M. Sugar,
 Chairman.

Accountants' Report

The following is a copy of the report to the Directors of Amstrad Consumer Electronics Limited and Kleinwort, Benson Limited received from Touche Ross & Co., the Company's Auditors and the Reporting Accountants:—

Hill House, 1 Little New Street,
London EC4A 3TR
10th April, 1980

The Directors,
Amstrad Consumer Electronics Limited and
Kleinwort, Benson Limited.

Gentlemen,

We have examined the audited accounts of Amstrad Consumer Electronics Limited (the "Company") for the accounting periods from 9th December, 1974 to 31st December, 1979 (the "relevant accounting periods").

The auditors of the Company for the accounting periods from 9th December, 1974 to 30th June, 1978 were Mordant Latham & Co.; for the year ended 30th June, 1979, Mordant Latham & Co. and Touche Ross & Co. jointly; and for the six months ended 31st December, 1979, Touche Ross & Co.

The information set out below is based on the audited accounts after making such adjustments as we consider appropriate. The accounts have been prepared under the historical cost convention, including the revaluation of a freehold property, and in accordance with the standards approved from time to time by the accounting bodies.

In our opinion the information gives, on the accounting basis stated above, a true and fair view of the profits and source and application of funds of the Company for the five years and twenty three days ended 31st December, 1979 and of the state of affairs of the Company at 31st December, 1979.

1. Accounting Policies

The following are the principal accounting policies adopted in arriving at the financial information set out in this report.

(a) Depreciation

Depreciation is provided on fixed assets, at cost or valuation, on a straight line basis at annual rates based on the estimated economic lives of the assets as follows:—

| | | | | | | | | |
|----------------------------------|----|----|----|----|----|----|----|-------------------------------------|
| Freehold buildings | .. | .. | .. | .. | .. | .. | .. | 2% |
| Leasehold buildings | .. | .. | .. | .. | .. | .. | .. | over the residual term of the lease |
| Plant and machinery | .. | .. | .. | .. | .. | .. | .. | 20% |
| Fixtures, fittings and equipment | .. | .. | .. | .. | .. | .. | .. | 10% |
| Motor vehicles | .. | .. | .. | .. | .. | .. | .. | 25% |
| Aircraft | .. | .. | .. | .. | .. | .. | .. | 10% |

The Company's principal freehold property was revalued in September, 1979. This valuation was included in the accounts at 30th June, 1979. Depreciation of £2,650 was charged in respect of freehold buildings in the six months ended 31st December, 1979. No depreciation was charged in respect of freehold buildings in previous accounting periods.

(b) Stock

Stock is valued at the lower of invoiced cost to the Company and net realisable value. Labour and overheads incurred in the manufacturing and assembly process, other than sub-contract labour, are not included in the stock valuation as they do not have a material effect on the stock valuation or the trading profit.

(c) Deferred tax

Provision is made in the accounts for U.K. corporation tax deferred by reason of stock appreciation relief, capital allowances, and other timing differences, except to the extent that such timing differences can be demonstrated with reasonable probability to continue in the foreseeable future.

(d) Foreign currencies

Assets and liabilities at the end of a period have been translated at the rates ruling at that date. Gains and losses arising from foreign currency exchange transactions during the relevant accounting periods have been treated as normal items of each period's operations.

2. Profit and Loss accounts

| | Notes | 18 months and 23 days ended 30th June, 1976 | Year ended 30th June, 1977 | Year ended 30th June, 1978 | Year ended 30th June, 1979 | 6 months ended 31st December, 1979 |
|--|-------|---|-------------------------------------|-------------------------------------|-------------------------------------|---|
| | | £000 | £000 | £000 | £000 | £000 |
| Sales | (a) | 3,790 | 3,831 | 4,451 | 5,597 | 4,797 |
| Cost of goods sold | (b) | (3,261) | (3,300) | (3,960) | (4,717) | (3,931) |
| Profit from operations | | 529 | 531 | 491 | 880 | 866 |
| Other income | (c) | 26 | 52 | 34 | 28 | 5 |
| Profit before taxation | | 555 | 583 | 525 | 908 | 871 |
| Taxation | (d) | — | — | — | — | — |
| Profit after taxation and before extraordinary item | | 555 | 583 | 525 | 908 | 871 |
| Extraordinary item | (e) | — | (110) | — | — | — |
| Profit after taxation and extraordinary item retained by the Company | (f) | 555 | 473 | 525 | 908 | 871 |
| Earnings per ordinary share | (g) | 6.0p | 6.3p | 5.6p | 9.7p | 9.3p |

Notes to profit and loss accounts

(a) Sales consist of the total sales invoiced to customers during the accounting period exclusive of VAT

| | | | | | | |
|----------------------------------|--|----|----|----|----|----|
| (b) Cost of goods sold includes: | | | | | | |
| Depreciation of fixed assets | | 21 | 26 | 35 | 64 | 43 |
| Directors' emoluments | | 24 | 18 | 28 | 39 | 19 |
| Interest payable | | 18 | 20 | 44 | 61 | 52 |
| Discounted bills commission | | — | — | — | — | 46 |
| (c) Other income: | | | | | | |
| Surplus on disposals of assets | | — | 1 | 6 | 18 | — |
| Interest receivable | | 25 | 40 | — | — | — |
| Miscellaneous income | | 1 | 11 | 28 | 10 | 5 |
| | | 26 | 52 | 34 | 28 | 5 |

(d) Taxation:

Due to the availability of stock appreciation relief and capital allowances, no corporation tax was payable during the relevant accounting periods. In accordance with accounting policy 1 (c) above, no provisions have been made for deferred tax. If full provision on the liability method had been provided, the taxation charge in each period would have amounted to approximately 52 per cent. of the profit before tax and after extraordinary items except in the year ended 30th June, 1979, when the charge would have been reduced by £50,000 as a result of stock appreciation relief becoming permanent under Schedule 3 to the Finance (No. 2) Act 1979

(e) The extraordinary item is the cost of removal to the freehold property at German Road.

(f) No dividends were paid to shareholders in the relevant accounting periods.

(g) Earnings per share have been calculated on the 9,325,000 ordinary shares in issue after reflecting the capitalisation issue on 9th April, 1979 referred to in note 3 (d) below and on the profit after taxation and before the extraordinary item for the relevant accounting periods.

3. Balance Sheet at 31st December, 1979

| | Notes | £000 | £000 |
|----------------------------|-------|--------------|--------------|
| Fixed assets | (a) | | 735 |
| Current assets | | | |
| Cash and bank balances | (b) | 445 | |
| Debtors | | 1,221 | |
| Stock | (c) | 2,892 | |
| Taxation recoverable | | 164 | |
| | | <u>4,722</u> | |
| Current liabilities | | | |
| Creditors | | 843 | |
| Bills payable | | 882 | |
| | | <u>1,725</u> | |
| Net current assets | | | 2,997 |
| Net tangible assets | | | <u>3,732</u> |
| Representing | | | |
| Share capital | (d) | | 60 |
| Reserves | (e) | | 3,672 |
| | | | <u>3,732</u> |

Notes to balance sheet

(a) Fixed assets

| | At valuation (see below) | At cost | Accumulated depreciation | Net book value |
|----------------------------------|-----------------------------|------------|-----------------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Freehold property | 395 | 18 | 2 | 411 |
| Leasehold property | — | 1 | — | 1 |
| Plant and machinery | — | 259 | 109 | 150 |
| Fixtures, fittings and equipment | — | 121 | 32 | 89 |
| Motor vehicles | — | 95 | 30 | 65 |
| Aircraft | — | 22 | 3 | 19 |
| | <u>395</u> | <u>516</u> | <u>176</u> | <u>735</u> |

A freehold property was valued on the basis of existing use at £395,000 in September 1979 by Chamberlain & Willows, Surveyors and Valuers. This valuation was included in the accounts at 30th June, 1979.

(b) Bank facilities

The Company had outstanding at 31st December, 1979 a fixed and floating charge over all its assets in favour of Lloyds Bank Limited. This charge has been released since that date.

(c) Stock

| | |
|------------------------------|--------------|
| Finished goods | 1,786 |
| Work in progress | 300 |
| Raw materials and components | 806 |
| | <u>2,892</u> |

(d) Share capital

Authorised: £100,000 in ordinary shares of £1 each

Issued and fully paid: 60,000 ordinary shares of £1 each

£000
60

On 9th April, 1980, conditionally on the admission of the issued shares in the Company to the Official List by the Council of The Stock Exchange, the authorised share capital of the Company was increased to £2,500,000, each ordinary share of £1 was sub-divided into four ordinary shares of 25p each and £2,271,250 standing to the credit of reserves was capitalised and a capitalisation issue was made to shareholders of 9,085,000 ordinary shares of 25p each (increasing the issued share capital to £2,331,250).

| | |
|---|-------------|
| (e) Reserves | £000 |
| Distributable | |
| At 9th December, 1974 | 297 |
| Retained profits 9th December, 1974 to 31st December, 1979 | 3,329 |
| Capitalisation issue—30th June, 1979 | (30) |
| | <hr/> 3,596 |
| Non distributable | |
| Surplus on revaluation of a freehold property at 30th June, 1979 | 76 |
| | <hr/> 3,672 |
| (f) Taxation | |
| Following accounting policy 1 (c) no provision has been made for deferred tax. The potential liability for deferred taxation at 31st December, 1979 is:— | |
| Stock appreciation relief | 1,700 |
| Capital allowances | 153 |
| Losses carried forward | (102) |
| | <hr/> 1,751 |
| Corporation tax payable if a freehold property was disposed of at its revalued amount | 23 |
| | <hr/> 1,774 |
| (g) Capital commitments | |
| Contracted for but not provided in the accounts | Nil |
| Authorised but not contracted for | Nil |
| | <hr/> Nil |

4. Source and Application of Funds

| | <i>18 months and 23 days ended 30th June, 1976</i> | <i>Year ended 30th June, 1977</i> | <i>Year ended 30th June, 1978</i> | <i>Year ended 30th June, 1979</i> | <i>6 months ended 31st December, 1979</i> |
|---|--|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Source of funds | | | | | |
| Net profit before taxation | 555 | 583 | 525 | 908 | 871 |
| Adjustment for items not involving the movement of funds: | | | | | |
| Depreciation | 21 | 26 | 35 | 64 | 43 |
| Total generated from operations | <hr/> 576 | <hr/> 609 | <hr/> 560 | <hr/> 972 | <hr/> 914 |
| Application of funds | | | | | |
| Purchase of fixed assets | (86) | (381) | (127) | (206) | (22) |
| Corporation tax paid but recoverable | — | — | — | (164) | — |
| | <hr/> 490 | <hr/> 228 | <hr/> 433 | <hr/> 602 | <hr/> 892 |
| Movements in working capital | | | | | |
| Stock | 384 | 976 | (47) | 1,428 | (30) |
| Debtors | (256) | (10) | 234 | 205 | 421 |
| Creditors | (18) | (354) | 29 | (329) | (577) |
| | <hr/> 110 | <hr/> 612 | <hr/> 216 | <hr/> 1,304 | <hr/> (186) |
| Movement in net liquid assets | | | | | |
| Cash and bank balances | 380 | (384) | 217 | (702) | 1,078 |
| | <hr/> 490 | <hr/> 228 | <hr/> 433 | <hr/> 602 | <hr/> 892 |

5. Accounts

No audited accounts of the Company have been made up subsequent to 31st December, 1979.

Yours faithfully,
TOUCHE ROSS & CO.
Chartered Accountants.

APPENDIX I
PROFIT FORECAST

1. Assumptions

The following are the principal assumptions which have been adopted in preparing the profit forecast of the Company for the year ending 30th June, 1980:—

- (a) there will be no significant change in United Kingdom or overseas legislation or other government regulations which will affect the Company;
- (b) there will be no material disruption of the Company's business due to industrial disputes, political disturbances or natural disasters involving either the Company or any of its suppliers or customers; and
- (c) there will be no change in foreign currency exchange rates which would have a significant effect on the Company's profits.

2. Letters

The following are copies of letters to the Directors of the Company relating to the profit forecast for the year ending 30th June, 1980:—

- (a) Letter from the Reporting Accountants dated 10th April, 1980:—

The Directors,
Amstrad Consumer Electronics Limited and
Kleinwort, Benson Limited.

Hill House,
1 Little New Street,
London EC4A 3TR

10th April, 1980

Gentlemen,

We have reviewed the accounting policies and calculations for the profit forecast of Amstrad Consumer Electronics Limited, for which the Directors are solely responsible, for the year ending 30th June, 1980 of not less than £1.3 million, as set out in the Offer for Sale dated 10th April, 1980. The profit forecast is based on audited accounts for the six months ended 31st December, 1979, unaudited management accounts for the two months ended 29th February, 1980 and a profit forecast for the four months ending 30th June, 1980.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the grounds of the assumptions set out in Appendix I of the Offer for Sale and is presented on a basis consistent with the accounting policies normally adopted by the Company.

Yours faithfully,
TOUCHE ROSS & CO.
Chartered Accountants

- (b) Letter from Kleinwort, Benson Limited dated 10th April, 1980.

The Directors,
Amstrad Consumer Electronics Limited.

20 Fenchurch Street,
London EC3P 3DB

10th April, 1980

Gentlemen,

We have discussed with you and with Touche Ross & Co. the profit forecast of Amstrad Consumer Electronics Limited for the year ending 30th June 1980, together with the assumptions on which it is based, set out in the Offer for Sale dated 10th April, 1980. We consider that the profit forecast, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for KLEINWORT, BENSON LIMITED
T. H. HOLLAND-BOSWORTH,
Director

APPENDIX II

STATUTORY AND GENERAL INFORMATION

1. Share Capital

The Company was incorporated in England under the Companies Acts 1948 to 1967 as a private company on 19th November, 1968 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, all of which were issued for cash fully paid. On 2nd December, 1971 the authorised share capital was increased to £10,000 and on the same date 4,000 ordinary shares of £1 each were issued for cash fully paid.

On 20th November, 1972 the authorised share capital was increased to £100,000. On 29th November, 1972 10,000 ordinary shares of £1 each were issued for cash fully paid.

On 8th March, 1973 a capitalisation issue of one for one was made to shareholders, increasing the issued share capital to £30,000. On 12th November, 1976 a further capitalisation issue of one for one was made to shareholders increasing the issued share capital to £60,000.

By or pursuant to a resolution passed at an Extraordinary General Meeting of the Company on 9th April, 1980 and conditionally on the admission of the issued shares in the Company to the Official List by the Council of The Stock Exchange on or before 18th April, 1980 (i) the authorised share capital of the Company was increased to £2,500,000 and each ordinary share of £1 was sub-divided into four ordinary shares of 25p each, (ii) a capitalisation issue was made to shareholders of 9,085,000 ordinary shares of 25p each, and (iii) the Company became a public company and new Articles of Association were adopted.

2. Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:—

Directors

(a) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

(b) The Directors may repay to any Director all such reasonable expenses as he may incur attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise in or about the business of the Company.

(c) The Directors may from time to time appoint one or more of their body to be the holder of any executive office on such terms and for such period as they may determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment. The Managing Director shall not be subject to retirement by rotation.

(d) The Directors will be entitled to remuneration not exceeding in aggregate £20,000 per annum, or such higher amount as may be determined by an Ordinary Resolution of the Company. The Directors will determine the division of such remuneration among themselves. Any Director who holds any executive office or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration, as may on occasion of the said aggregate £20,000 to be excluded, by way of salary, commission or otherwise as the Directors may determine.

(e) A Director may be a party to or be in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested, and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company) under the Company or any other company in which the Company is in any way interested, and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

(f) Subject to certain exceptions a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(g) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be debated and considered in relation to each Director separately and in such case each of the Directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(h) The provisions of section 185 of the Companies Act 1948 (retirement of directors at age 70) apply to the Company.

Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking and property (both present and future) including uncalled capital. The aggregate amount for the time being owing by the Company and its subsidiaries (the "Group") in respect of monies borrowed by it (exclusive of monies borrowed by any member of the Group) at any other member) may at any time, without the prior sanction of the Company in general meeting, be equal to twice the share capital and consolidated reserves (as described in the Articles) of the Group.

Votes of Members

On a show of hands a duly authorised officer of the Company shall be entitled to give one vote to each member who is present in person or by proxy and each member shall have 200 votes for each £100 nominal amount of ordinary share capital of which he is the holder.

3. Directors' and Other Interests

The interests (all beneficial) of the Directors in the share capital of the Company which will appear in the register maintained under the provisions of the Companies Act 1967 immediately after this Offer for Sale (save in respect of any shares which may be allocated to any one of the Directors under this Offer for Sale) will be as follows:

| | <i>Ordinary shares of 25p each</i> |
|----------------|------------------------------------|
| A. M. Sugar | 6,993,750 |
| J. L. Rice | --- |
| R. J. East | --- |
| N. F. Shearman | --- |

Save as disclosed above, the Directors are not aware of any other shareholdings which will, immediately after the completion of this Offer for Sale, represent five per cent. or more of the issued share capital of the Company.

Under the Offer for Sale agreement described in paragraph 5 below, Mr. A. M. Sugar has undertaken not to apply for any shares now being offered nor to sell any of the shares beneficially held by him until 12 months after the date of this Offer for Sale without the prior consent of Kleinwort, Benson Limited.

4. Service Agreements

Mr. A. M. Sugar has a service agreement with the Company dated 9th April, 1980, terminable by either party giving to the other not less than 6 months notice to expire on or after 30th June, 1985. His annual salary, currently £32,000, may be varied by the agreement of both parties.

Mr. J. L. Rice has a service agreement with the Company dated 9th April, 1980, terminable by either party giving to the other not less than 6 months notice to expire on or after 30th June, 1982. His annual salary, currently £15,000, may be varied by the agreement of both parties.

Save as described above, no Director of the Company has nor is it proposed that any Director should have a service contract with the Company.

The aggregate emoluments paid during the year ended 30th June, 1979 to the Directors who held office in that year amounted to £39,000. The aggregate emoluments payable in the year ending 30th June, 1980 to the Directors holding office in that year are estimated to be £52,656.

5. Offer for Sale Agreement

Under contract (f) below, Kleinwort, Benson Limited has agreed (subject to the Council of The Stock Exchange admitting the issued share capital of the Company to the Official List not later than 18th April, 1980) to purchase from Mr. A. M. Sugar 2,331,250 ordinary shares of 25p each of the Company at 83.3p per share and to offer them for sale to the public. Under this contract Kleinwort, Benson Limited will pay underwriting commissions of 1½ per cent on the Offer for Sale price, and a fee to the Brokers. The Company will pay a fee to Kleinwort, Benson Limited and will pay all other expenses of and incidental to this Offer for Sale, such fee and expenses being estimated to amount to £220,000 excluding value added tax.

6. Contracts

The following contracts which are or may be material have been entered into by the Company other than in the ordinary course of business during the two years preceding the publication of this Offer for Sale:--

- (a) dated 5th October, 1978 being two contracts between (i) Fircastle Limited (in liquidation), (ii) Neville Fraser Shearman (appointed by National Westminster Bank Limited as Receiver of Fircastle Limited), (iii) George Auger and Neville Fraser Shearman (as liquidators of Fircastle Limited), and (iv) the Company for the assignment to the Company for £1,000 of the underleasehold interest in the property at 14 Stock Road, Southend-on-Sea, Essex and relating to the acquisition by the Company for £41,800 of equipment situated in those premises;
- (b) dated 6th November, 1978 being a non-exclusive world-wide licence agreement between (i) the Company and (ii) Dolby Laboratories Licensing Corporation for an initial fee of US \$5,000 together with a royalty payment on each Dolby circuit produced (the word "Dolby" is a trademark of Dolby Laboratories);
- (c) dated 17th December, 1979 being a letter to the Company from Kleinwort, Benson Limited, as amended by letters dated 11th March, 1980 and 20th March, 1980 granting to the Company a revolving multi-currency Documentary Letter of Credit facility for £500,000;
- (d) dated 17th December, 1979, being a multi-currency facility from Lloyds Bank Limited to the Company for up to £500,000 in respect of Bills of Exchange and Promissory Notes, supported by an agreement dated 28th November, 1979 between the Company and the Export Credits Guarantee Department;
- (e) dated 8th April, 1980, being an agreement by Lloyds Bank Limited to grant the Company facilities of £2,000,000 and a Documentary credit line of £1,000,000 and to release a fixed and floating charge over the Company's assets in return for an undertaking by the Company not to create charges to secure other creditors;
- (f) dated 9th April, 1980, between (i) the Company, (ii) Mr. A. M. Sugar, (iii) the Directors and (iv) Kleinwort, Benson Limited, being the contract referred to in paragraph 5 above for the purchase by Kleinwort, Benson Limited from Mr. A. M. Sugar of a total of 2,331,250 ordinary shares of 25p each of the Company; and
- (g) dated 9th April, 1980, being the service agreement referred to in paragraph 4 above.

7. Taxation

The Directors have been advised that, following the completion of this Offer for Sale, the Company will be a close company within the meaning of the Income and Corporation Taxes Act 1970.

Clearances under Schedule 16 to the Finance Act 1972 have been obtained for all relevant periods ended 30th June, 1979.

Under the Offer for Sale agreement described in paragraph 5 above, indemnities have been given by Mr. A. M. Sugar to Kleinwort, Benson Limited and to the Company in respect of any depletion of or reduction in the value of the assets of the Company by reason of capital transfer tax and certain other taxation in respect of transactions, accounts and periods occurring prior to the date of this Offer for Sale.

8. General

(a) The registered number of the Company is 942631. Kleinwort, Benson Limited is registered in England with number 551334 and its registered office is at 20 Fenchurch Street, London EC3P 3DB.

(b) Save as disclosed in this Offer for Sale:—

(i) no capital of the Company has been issued within the two years before the date of this Offer for Sale or is now proposed to be issued, fully or partly paid, for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company within the said two years in connection with the issue or sale of any capital of the Company; and

(iii) no capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.

(c) No loan capital of the Company has been created since its incorporation or is proposed to be created.

(d) No material issue of shares of the Company (other than consequent upon an offer to shareholders pro rata to their existing shareholdings) will be made within one year of the date of this Offer for Sale without prior approval of the Company in general meeting.

(e) Following this Offer for Sale, 875,000 ordinary shares of 25p each of the Company will remain unissued but no issue of such shares which would effectually alter the control of the Company will be made without prior approval of the Company in general meeting.

(f) Save as disclosed in paragraph 6 (a) above, no Director of the Company has, or has had, any interest, direct or indirect, in any assets which have been, within the two years before the date of this Offer for Sale, or are proposed to be, acquired or disposed of by or leased to the Company. No contract or arrangement subsists, or subsisted within the two years before the date of this Offer for Sale, in which a Director of the Company is or was materially interested and which is or was significant in relation to the business of the Company.

(g) The Company is not engaged in any litigation or arbitration which, in the opinion of the Directors, is of material importance, and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

(h) No part of the consideration in respect of the shares to which this Offer for Sale relates will be received by the Company.

(i) The Directors are satisfied that, taking into account the bank facilities available, the Company will have sufficient working capital for its present requirements.

(j) Touche Ross & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion of their report and letter and the references thereto in the form and context in which they are included. Chamberlain & Willows have given and have not withdrawn their written consent to the inclusion in this Offer for Sale of the references to their valuation in the form and context in which they are included.

(k) The documents attached to the copy of this Offer for Sale delivered to the Registrar of Companies for registration were the written consents referred to in (j) above, copies of the forms of application, copies of the contracts referred to in paragraph 6 above and the statement of Touche Ross & Co. setting out the adjustments made in arriving at the figures contained in their report (as set out herein) and giving the reasons therefor.

(l) The Company has no subsidiaries.

9. Documents Available for Inspection

The following documents (being copies in the case of all documents other than the Offer for Sale Agreement described in paragraph 5 above) may be inspected at the offices of Herbert Smith & Co., Watling House, 35/37 Cannon Street, London EC4M 5SD during usual business hours on any weekday (Saturdays and public holidays excepted) until 2nd May, 1980:—

(a) the Memorandum and Articles of Association of the Company;

(b) the audited accounts of the Company for the two years ended 30th June, 1978 and 30th June, 1979 and for the six months ended 31st December, 1979;

(c) the Accountants' Report set out above together with the statement setting out the adjustments made in arriving at the figures contained in the Report;

(d) the contracts referred to in paragraph 6 above;

(e) the written consents referred to in paragraph 8(j) above; and

(f) the valuation of property carried out by Chamberlain & Willows referred to in this Offer for Sale.

Dated 10th April, 1980

PROCEDURE FOR APPLICATION

Kleinwort, Benson Limited, New Issue Department (Ref. Amstrad), 10 Rood Lane, London EC3M 8BB will receive applications which must be for a minimum of 200 ordinary shares or for the following multiples of shares:—

- Applications for not more than 1,000 shares: in multiples of 200 shares;
- Applications for over 1,000 shares and not more than 3,000 shares: in multiples of 500 shares;
- Applications for over 3,000 shares and not more than 10,000 shares: in multiples of 1,000 shares;
- Applications for over 10,000 shares and not more than 50,000 shares: in multiples of 5,000 shares; and
- Applications for over 50,000 shares: in multiples of 10,000 shares.

Application must be made on the accompanying Application Form and forwarded to Kleinwort, Benson Limited, New Issue Department, (Ref. Amstrad), 10 Rood Lane, London EC3M 8BB together with a sterling cheque or bankers draft for the full amount payable on application so as to be received not later than 10.00 a.m. on Thursday, 17th April, 1980. Photostat copies of Application Forms will not be accepted.

Each application must be accompanied by a separate sterling cheque, or bankers draft, which must be drawn on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner. Cheques and bankers drafts must be made payable to "Kleinwort, Benson Limited" and be crossed "Not Negotiable". The right is reserved to present all cheques and bankers drafts for payment on receipt and to reject any application in whole or in part, in particular multiple or suspected multiple applications, and to retain Letters of Acceptance and surplus application monies pending clearance of the cheques and bankers drafts of successful applicants. Due completion and delivery of an Application Form, accompanied by a cheque or bankers draft will constitute an undertaking that such cheque or bankers draft will be honoured on first presentation; attention is drawn to the declaration in the Application Form to that effect.

Preferential consideration will be given to applications received from employees of the Company for a maximum of 10 per cent. of the ordinary shares now being offered for sale. Such applications must be for multiples of 100 shares, with a minimum of 100 shares, and be made on the pink Application Forms made available to employees.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Official List not later than 18th April, 1980. Monies collected in respect of applications will be returned if such condition is not satisfied by that date and in the meantime will be retained by Kleinwort, Benson Limited in a separate bank account. If any applications are not accepted or are accepted for fewer shares than the number applied for, the application monies or, as the case may be, the balance thereof will be returned through the post at the risk of the applicants.

Arrangements have been made for the shares now offered for sale to be registered by the Company free of stamp duty in the names of the successful applicants or the persons in whose favour Letters of Acceptance have been renounced, provided that in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged at the offices of Kleinwort, Benson Limited, New Issue Department, 20 Fenchurch Street, London EC3P 3DB for registration not later than 3 p.m. on 16th May, 1980. Share certificates will be posted on 13th June, 1980 to the first-named registered holders or, in any case where the box marked **D** at the foot of page 2 of the Letter of Acceptance has been duly completed and the Letter of Acceptance duly lodged not later than 6th June, 1980 in accordance with the instructions contained therein to the agent specified in the box.

Copies of this Offer for Sale with Application Forms may be obtained from:—

Kleinwort, Benson Limited,
10 Rood Lane
London EC3M 8BB

Kleinwort, Benson Limited,
Tudor House,
Hagley Road,
Five Ways,
Birmingham B16 8TP

Kleinwort, Benson Limited,
70/80 George Street,
Edinburgh EH2 3BU

W. Gidwell & Co.,
Bow Bell's House,
Broad Street,
London EC4M 0EL

and at the registered office of the Company, 10 Rood Lane, Tottenham, London, N17 0UF

APPLICATION FORM

THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10 a.m. ON THURSDAY, 17th APRIL, 1980 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

This Application Form when completed must be forwarded to Kleinwort, Benson Limited, New Issue Department (Ref. Amstrad), 10 Roper Lane, London EC3M 8BB, together with a cheque/bankers draft for the full amount payable, so as to be received not later than 10 a.m. on Thursday, 17th April, 1980. Photostat copies of Application Forms will not be accepted.

A separate cheque or bankers draft must accompany each Application Form.

Cheques and bankers drafts, which must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner, must be made payable to "Kleinwort, Benson Limited" and crossed "Not Negotiable" and must represent payment in full at the application price. No application will be considered unless these conditions are fulfilled. All cheques/bankers drafts are liable to be presented for payment on receipt.

Amstrad Consumer Electronics Limited

(Incorporated under the Companies Acts 1948 to 1967)

Offer for Sale

BY

Kleinwort, Benson Limited

of 2,331,250 ordinary shares
of 25p each at 85p per share payable in full on application

| Examples of amounts payable on application | | | | | |
|--|-----|--------|-------|--------|--------|
| Shares | £ | Shares | £ | Shares | £ |
| 200 | 170 | 1,500 | 1,275 | 5,000 | 4,250 |
| 400 | 340 | 2,000 | 1,700 | 10,000 | 8,500 |
| 600 | 510 | 2,500 | 2,125 | 15,000 | 12,750 |
| 800 | 680 | 3,000 | 2,550 | 20,000 | 17,000 |
| 1,000 | 850 | 4,000 | 3,400 | 50,000 | 42,500 |

| * Number of shares applied for | ** Amount enclosed at 85p per share |
|--------------------------------|-------------------------------------|
| | £ |

* Applications must be for a minimum of 200 shares or for the following multiples of shares: multiples of 200 shares not exceeding 1,000 shares, thereafter in multiples of 500 shares not exceeding 3,000 shares, thereafter in multiples of 1,000 shares not exceeding 10,000 shares, thereafter in multiples of 5,000 shares not exceeding 50,000 shares and thereafter in multiples of 10,000 shares.

To: KLEINWORT, BENSON LIMITED.

I/We enclose a cheque/bankers draft for the above-mentioned sum ** being the full amount payable on application at 85p per share for the above-stated number * of ordinary shares of 25p each in Amstrad Consumer Electronics Limited (the "Company"), and I/we apply to purchase that number of shares. I/We hereby undertake and agree to accept the same, or any lesser number of shares in respect of which this Application may be accepted, upon the terms of your Offer for Sale dated 10th April, 1980 and subject to the Memorandum and Articles of Association of the Company. I/We hereby authorise you to send a renounceable Letter of Acceptance in respect of the said shares and/or a cheque for any monies returnable to me/us by ordinary first class post at my/our risk to the address first given below and to procure my/our name(s) to be placed on the Register of Members of the Company as holder(s) of the said shares so far as they have not been effectively renounced.

I/We declare that due completion and delivery of this Application Form, accompanied by a cheque/bankers draft, constitutes an undertaking that such cheque/bankers draft will be honoured on first presentation.

Dated April, 1980

1. Signature

| | |
|----------------------------------|---|
| Forename(s) (in full) | Please use BLOCK CAPITALS OR TYPE FOR NAMES AND ADDRESSES |
| Surname (Mr, Mrs, Miss or Title) | |
| Address (in full) | |
| Post Code | |

ALL JOINT APPLICANTS MUST SIGN AND GIVE NAMES AND ADDRESSES BELOW. In the case of a corporation's form should be signed by a duly authorised officer who should state his representative capacity.

Please clip top left corner of cheque here.

2. Signature

Forename(s) (in full)

Surname (Mr, Mrs, Miss or Title)

Address

Post Code

3. Signature

Forename(s) (in full)

Surname (Mr, Mrs, Miss or Title)

Address

Post Code

Please use BLOCK CAPITALS OR TYPE

4. Signature

Forename(s) (in full)

Surname (Mr, Mrs, Miss or Title)

Address

Post Code

NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION, BUT AN ACKNOWLEDGEMENT WILL BE FORWARDED THROUGH THE POST IN DUE COURSE, AT THE RISK OF THE APPLICANT, EITHER BY A FULLY PAID LETTER OF ACCEPTANCE FOR ALL THE SHARES APPLIED FOR, OR BY A FULLY PAID LETTER OF ACCEPTANCE FOR THE SHARES APPLIED FOR AND A CHEQUE FOR ANY SURPLUS APPLICATION MONIES, OR BY THE RETURN THROUGH THE POST OF THE APPLICATION MONIES.

FOR OFFICE USE ONLY

1. Letter of Acceptance No.

2. Shares applied for

3. Shares accepted

4. Amount received on application

£

5. Amount payable on shares accepted

£

6. Amount returned

£

7. Return Cheque No.

8. Split No.

9. Registration No.

10. Share Certificate No.

STAFF APPLICATION FORM

No.

THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10 a.m. ON THURSDAY, 17th APRIL, 1980 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

This Application Form when completed must be forwarded to Kleinwort, Benson Limited, New Issue Department (Ref. Amstrad), 10 Rood Lane, London EC3M 8BB, together with a cheque/bankers draft for the full amount payable, so as to be received not later than 10 a.m. on Thursday, 17th April, 1980. Photostat copies of Application Forms will not be accepted.

Cheques and bankers drafts, which must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner, must be made payable to "Kleinwort, Benson Limited" and crossed "Not Negotiable" and must represent payment in full at the application price. No application will be considered unless these conditions are fulfilled. All cheques /bankers drafts are liable to be presented for payment on receipt.

Handwritten signatures and notes:
 J.A. Cawthra
 H. ...
 DIRECTOR
 KLEINWORT, BENSON LTD

Amstrad Consumer Electronics Limited

(Incorporated under the Companies Acts 1948 to 1967)

Offer for Sale

BY

Kleinwort, Benson Limited

of 2,331,250 ordinary shares

of 25p each at 85p per share payable in full on application

Handwritten signatures and initials:
 [Signature]
 [Signature]

| Examples of amounts payable on application | | | | | |
|--|-----|--------|-------|--------|--------|
| Shares | £ | Shares | £ | Shares | £ |
| 100 | 85 | 1 000 | 850 | 4 000 | 3,400 |
| 200 | 170 | 1 500 | 1,275 | 5 000 | 4,250 |
| 400 | 340 | 2 000 | 1,700 | 10 000 | 8,500 |
| 600 | 510 | 2 500 | 2,125 | 15 000 | 12,750 |
| 800 | 680 | 3 000 | 2,550 | 20 000 | 17,000 |

| * Number of shares applied for | ** Amount enclosed at 85p per share |
|--------------------------------|-------------------------------------|
| | £ |

*Application must be for a minimum of 100 shares or a multiple thereof.

To: KLEINWORT, BENSON LIMITED

I enclose a cheque/bankers draft for the above-mentioned sum **, being the full amount payable on application at 85p per share for the above-stated number * of ordinary shares of 25p each in Amstrad Consumer Electronics Limited (the "Company") and I apply to purchase that number of shares. I hereby undertake and agree to accept the same, or any lesser number of shares in respect of which this Application may be accepted, upon the terms of your Offer for Sale dated 10th April, 1980 and subject to the Memorandum and Articles of Association of the Company. I hereby authorise you to send a renounceable Letter of Acceptance in respect of the said shares and/or a cheque for any monies returnable to me by ordinary first class post at my risk to the address given below and to procure my name to be placed on the Register of Members of the Company as holder of the said shares so far as they have not been effectively renounced.

I declare that due completion and delivery of this Application Form, accompanied by a cheque/bankers draft, constitutes an undertaking that such cheque/bankers draft will be honoured on first presentation.

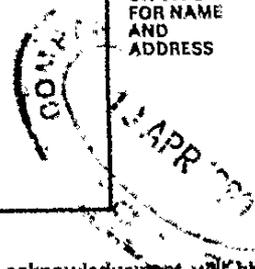
Signature _____

Dated _____ April, 1980

Please pin top left corner of cheque here

Forename(s) (in full) _____
 Surname (Mr, Mrs, M) _____
 Address (in full) _____

Please use BLOCK CAPITALS OR TYPE FOR NAME AND ADDRESS



| FOR OFFICE USE ONLY | |
|--------------------------------------|---|
| 1. Letter of Acceptance No. | |
| 2. Shares applied for | |
| 3. Shares accepted | |
| 4. Amount received on application | £ |
| 5. Amount payable on shares accepted | £ |
| 6. Amount returned | £ |
| 7. Return Cheque No. | |
| 8. Split No. | |
| 9. Registration No. | |
| 10. Share certificate No. | |

NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION, but an acknowledgment will be forwarded through the post in due course of the receipt of the application, either by a fully paid Letter of Acceptance for all the shares applied for, or by a fully paid Letter of Acceptance for the shares applied for and accepted and a cheque for any surplus applied for shares.

10th April, 1980

JMM/GDE/01 02626 01

The Secretary,
Quotations Department,
The Stock Exchange,
London.
EC2P 2BT

Dear Sir,

Amstrad Consumer Electronics Limited

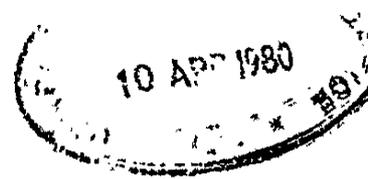
We attach herewith the Statement of Adjustments applicable to our report dated 10th April 1980 addressed to the directors of Amstrad Consumer Electronics Limited and the directors of Kleinwort Benson Limited.

In our opinion, all adjustments, which are appropriate as a result of the evidence made available to us for the purposes of our report, have been made to the profit for the five years and twenty-three days ended 31st December 1979 and balance sheet at that date, and no other adjustments have been made.

Yours faithfully,

Touche Ross & Co.

Enc.



Hill House 1 Little New Street London EC4A 3TR - Telex 884739 TRLNDN G - Telephone (01) 353 8011

EXECUTIVE OFFICE - LONDON - M. Bartlett, P.A.; Barrett, H.; Blackburn, I.G.; Booth, A.H.; ...
DARTFORD - ...
LEICESTER - ...
PLYMOUTH - ...
EDINBURGH - ...
GLASGOW - ...
LIVERPOOL - ...
MANCHESTER - ...
NEWCASTLE UPON TYNE - ...
NEWPORT - ...
SWANSEA - ...
WOLVERHAMPTON - ...

AMSTRAD CONSUMER ELECTRONICS LIMITEDStatement of Adjustments to ReservesFrom 9th December 1974 to 31st December 1979

| | <u>9/12/74 to 30/6/76 £000</u> | <u>Year to 30/6/77 £000</u> | <u>Year to 30/6/78 £000</u> | <u>Year to 30/6/79 £000</u> | <u>6 mths to 31/12/79 £000</u> |
|--|--|-------------------------------------|-------------------------------------|-------------------------------------|--|
| SECTION A | | | | | |
| Reserves - Opening Balance | 315 | 455 | 867 | 1,349 | 2,725 |
| Reserves - Closing Balance | 455 | 867 | 1,349 | 2,725 | 3,596 |
| | <u>140</u> | <u>412</u> | <u>482</u> | <u>1,376</u> | <u>871</u> |
| (a) Items required by the Companies Acts to be disclosed | | | | | |
| 1. Directors remuneration | 24 | 18 | 28 | 39 | 19 |
| 2. Auditors remuneration | 3 | 5 | 5 | 10 | 5 |
| 3. Depreciation | 21 | 26 | 35 | 64 | 43 |
| 4. Bank interest | 18 | 20 | 44 | 61 | 52 |
| 5. Discounted Bills Commission | - | - | - | - | 46 |
| 6. Compensation to former auditors | 1 | - | - | - | - |
| | <u>67</u> | <u>69</u> | <u>112</u> | <u>174</u> | <u>165</u> |
| 7. Corporation Tax | 2 | - | 168 | - | - |
| 8. Deferred Tax | 195 | - | - | - | - |
| 9. (Over)/Under provision for Corporation Tax in previous period | 18 | 1 | - | (4) | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(164)</u> | <u>-</u> |
| 10. UK Tax recoverable | | | | | |
| | <u>282</u> | <u>70</u> | <u>280</u> | <u>6</u> | <u>165</u> |
| (b) Other Items | | | | | |
| Amounts taken to reserves | | | | | |
| 11. Deferred Taxation written back | - | (195) | - | - | - |
| 12. Capitalisation of reserves | - | 30 | - | - | - |
| 13. Transfer to/(from) warranty reserve | - | 300 | - | (300) | - |
| | <u>-</u> | <u>135</u> | <u>-</u> | <u>(300)</u> | <u>-</u> |
| Totals to Section B | 422 | 617 | 762 | 1,082 | 1,036 |

10 APR 80

Statement of Adjustments to Reserves

From 9th December 1974 to 31st December 1979

| | | <u>9/12/74 to 30/6/76 £000</u> | <u>Year to 30/6/77 £000</u> | <u>Year to 30/6/78 £000</u> | <u>Year to 30/6/79 £000</u> | <u>6 mths to 1/12/79 £000</u> |
|---|--|--|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| SECTION B | | | | | | |
| <u>Adjustment</u> | <u>Reason for adjustment</u> | | | | | |
| Totals from Section A | | 422 | 617 | 762 | 1,082 | 1,036 |
| Items (1) to (6) above | Actual charges | (67) | (69) | (112) | (174) | (165) |
| 14. | Warranty reserve provided in 1976 and written back in 1977 to the profit and loss account | 200 | (200) | - | - | - |
| 15. | Overprovision for inventory obsolescence in 1977 written back to profit and loss in 1978 | - | 125 | (125) | - | - |
| 16. | Misclassified provision for removal costs. See item (17) below | - | 110 | - | - | - |
| Profit before taxation | Restated total | 555 | 583 | 525 | 908 | 871 |
| 6. Taxation | Per Published accounts | 215 | 1 | 168 | (168) | - |
| 11. Deferred Tax | Provision written back through reserves | (195) | - | (168) | 168 | - |
| 9. (Over)/ Under pro- vision for Corporation Tax in previous period | Adjusted in restated reserves for previous period | (20) | (1) | - | - | - |
| Taxation | Restated Total | - | - | - | - | - |
| Profit after taxation | Restated Total | 555 | 583 | 525 | 908 | 871 |
| 17. Extra- ordinary item | Provision for removal costs | - | (110) | - | - | - |
| Profit after taxation and after extra- ordinary item | Restated total | 555 | 473 | 525 | 908 | 871 |

AMSTRAD CONSUMER ELECTRONICS LIMITED

Statement of Adjustments to Reserves

From 9th December 1974 to 31st December 1979

| <u>Adjustment</u> | <u>Reason for adjustment</u> | <u>9/12/74 to 30/6/76 £000</u> | <u>Year to 30/6/77 £000</u> | <u>Year to 30/6/78 £000</u> | <u>Year to 30/6/79 £000</u> | <u>6 mths to 31/12/79 £000</u> |
|--|--|--|-------------------------------------|-------------------------------------|-------------------------------------|--|
| Accumulated Reserves at beginning of period | | 315 | 849 | 1,292 | 1,817 | 2,725 |
| 9. Corporation Tax | Underprovision for taxation in previous period | (21) | - | - | - | - |
| | Restated total | 294 | 849 | 1,292 | 1,817 | 2,725 |
| Profit for period | Restated Total | 555 | 473 | 525 | 908 | 871 |
| 12. | Capitalisation of reserves | - | (30) | - | - | - |
| Accumulated Reserves at end of period - Restated Total | | 849 | 1,292 | 1,817 | 2,725 | 3,596 |

Touche Ross & Co.