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Amstrad®

Always Innovating

Amstrad plc
Annual Report & Accounts 2004/2005

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 77, 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 53, 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 reported a profit before tax of £19.1m (2004: £15.6m) on sales of £102.5m (2004: £57.4m). The earnings per share were 16.9p (2004: 14.6p).

Sales have almost doubled this year but the gross margin reduced reflecting our competitive pricing to secure large volume orders. There were also exceptional stock provisions of £5.7m (2004: £nil).

As is customary in the consumer electronics industry, there is consistent demand for price reduction as existing models mature. Our experienced team continue to focus on cost reduction through re-engineering, component price and manufacturing cost reductions. Our overhead base remains tightly controlled which is evidenced by the fact that our costs as a percentage of sales have reduced to 7.9 % from 11.7% a year ago.

The Board of Directors recommend an increased final dividend of 4.5p (2004: 3.5p) per ordinary share to be paid on 6 December 2005 to shareholders on the register on 30 September 2005 which together with the interim dividend of 2.0p (2004: 1.5p) paid on 6 April 2005, makes a total distribution of 6.5p (2004: 5.0p) per ordinary share in respect of the year ended 30 June 2005.

Net assets increased by 26 % during the year to £41.0m (2004: £32.5m). The Group was strongly cash generative in the year with net cash increasing by £17.6m to £39.4m (2004: £21.8m).

Operating Review

This financial year has seen an exceptional increase in turnover reflecting a full year of personal video recorder ("PVR") set top box sales (a set top box incorporating a hard disc drive) and significant sales of set top boxes to the Italian market.

In August 2004 we started shipping , ahead of schedule, set top boxes to our Italian broadcasting customer, Sky Italia, who had an urgent requirement to upgrade existing boxes with new digital ones. In meeting this challenge set by our customer, shipments were very much weighted towards the first half of the financial year.

In the UK we sold a similar number of standard set top boxes as in the previous year and a significant number of PVR set top boxes, which reflects the success of this product category as one of the best innovations in the recent history of consumer electronics. Sales of both products were heavily weighted towards the first half of the financial year due to strong consumer demand in the run up to Christmas.

The Hong Kong business, which designs, manufactures and sells audio products to the US and European markets, has had another successful year with sales ahead of last year assisted by the launch of a new innovative 10CD player in the last quarter of the financial year.

A new generation e-m@iler, the E3, was launched in September 2004. In addition to e-mail, sms, internet access and other functionality available on the previous version, the E3 has a colour screen and video phone capability. The in-built camera enables users to hold video calls with other E3 users and to send and receive picture messages with mobile phones and PCs. The product was launched at a retail price of around £99 which was reduced to around £49 at Easter. Despite the aggressive pricing of this product, sales have been disappointing in what is currently the worst high street retail market for many years. During the year we have continued to sell the earlier model, the e-m@iler plus, which sold well in the run up to Christmas but since then has seen a slowdown in sales largely due to the availability of the E3.

In the year to 30 June 2005 61k e-m@iler units were purchased and registered by consumers bringing the total number of units sold and registered since launch of the product to 429k.

Chairman's Statement (continued)

Operating Review (continued)

In view of the low level of sales in the second half of the financial year and the increasingly tough high street environment, the Board feels it prudent to write down the book value of e-m@iler stocks by £5.7m to their anticipated net realisable value.

Installed and registered e-m@ilers will continue to generate significant usage revenue for the business which, based on June 2005 usage revenue, amounts to an annualised figure of £7.3m. This usage revenue continues to be derived mainly from e-mail usage which provides some stability and predictability to this important revenue stream. We expect that despite customer churn, which is to be expected in this industry, this revenue stream will be a significant contributor to paying for our overheads for some years ahead.

Outlook

Although sales of the E3 have been disappointing the videophone technology contained within the product is a significant leap forward for the Group and we are currently in early discussions with a number of European telephone companies about opportunities to exploit this technology. Any future videophone products are likely to be sold to major national telecom providers on a contract basis similar to our set top box business model. This should result in a hardware margin for the Group rather than sales being made through retail channels on an upfront subsidy and future revenue share basis.

We continue to invest development resource in alternative delivery platforms such as internet protocol television (IPTV). We were able to enter this field from experience gained in developing the E3. Apart from IPTV, the broadcast industry is moving into new technological ways to broadcast and high definition television (HDTV) is the future direction that most broadcasters will go. We have started designs for our customers based on new advanced technical solutions to provide HDTV set top boxes and HDTV PVR boxes in the future. Existing standard definition technology will remain until the price of HDTV boxes nears levels seen on standard definition boxes at which time they will become the mainstream core product required by broadcasters.

Apart from our HDTV and IPTV development, on 19 September 2005 we announced that we had agreed with BSkyB to develop and supply a new PVR set top box . As part of this agreement we will sell significant volumes of this new product in the financial year to 30 June 2007.

On 20 September 2005 we moved into a new consumer product category in the health care market and launched a new product, the Integra face care system , and at the same time introduced a new exciting way of selling directly to consumers. The product will be sold on-line through a dedicated website (www.integra-skincare.com). This new but controlled venture takes the Group into the growing consumer electronic healthcare market, one which dependent on the success of this venture has a lot of potential for the introduction of other products. The product has been designed and produced to take into account other World markets. Dependent on the success of the UK launch, we plan to roll the product out to other European and World markets.

Perhaps most importantly this venture experiments with a whole new sales strategy for our business, one that could be applied to any consumer product we may introduce for sales direct to consumers. We have called this sales strategy the "Sir Alan Sugar Enterprise Scheme" (SASES) which has been developed, administered and is owned by Amstrad plc. Further information on this scheme can be seen on our website (www.amstrad.com/sases). The sales method is very innovative and is geared to stimulate sales through existing purchasers who in turn will be able to earn a commission every time they encourage someone else to purchase a unit. We will carefully monitor this venture and be ready to exploit it if and when it shows potential.

Chairman's Statement (continued)

Outlook (continued)

In conclusion, as outlined above, this year has seen very significant sales of standard and PVR set top boxes. We have a good order book for our current financial year and encouragingly orders beyond that into the financial year to 30 June 2007 when we also expect to sell PVR products in other markets. In view of the transition from standard definition to HDTV, sales in the current financial year will be made up mainly of existing mature models, that as is customary, are under price pressure. Although we anticipate a good performance in the current financial year, shareholders should not expect the same level of result as we have reported for the year to 30 June 2005. However, the subsequent financial year looks positive and we are excited by the potential of the new orders and new range of products which should underpin prospects for future financial years.

Sir Alan Sugar
Chairman
22 September 2005

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. Throughout the year ended 30 June 2005 the Company has been in compliance with the code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 except for the following matters:-

- The roles of Chairman and CEO are combined and undertaken by Sir Alan Sugar which the Board considers is appropriate given the entrepreneurial nature and size of the Company;
- The Company does not have a separate Nominations Committee as the Board believes that given the size of both the Company and the Board, this role should be undertaken by the Board as a whole; and
- The Board has adopted an informal approach to evaluating the individual performance of directors, Board Committees and the Board as a whole and as such does not strictly comply with the Combined Codes requirement for a formal evaluation process.

The Board

The Board is responsible to shareholders for the proper management of the Group. The matters specifically reserved for decision by the Board includes:-

- Setting and monitoring Group strategy;
- Approving the annual budget and any major capital expenditure or divestment projects;
- Reviewing trading performance during the year;
- Reviewing the Group's systems of internal control and risk management;
- Approving the terms of reference of Board Committees;
- Approving appointments to the Board and the appointment of the Company Secretary; and
- Approving Directors' remuneration and the remuneration policy for the Company.

The Board consists of five executive directors and two non-executive directors. On appointment to the Board each new appointee is required to stand for election at the next Annual General Meeting following their appointment. In addition, one third of the Board retires by rotation at each Annual General Meeting with every director seeking re-election at least every three years. The names and responsibilities of individual directors are set out on page 1. 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 terms and conditions of employment of the non-executive directors are available for inspection at the Company's registered office and at the Company's Annual General Meeting.

The roles of Chairman and CEO are combined and undertaken by Sir Alan Sugar which the Board considers appropriate given the entrepreneurial nature and size of the Company. Sir Alan Sugar is also a director of various companies within the Amshold group which he controls.

All directors are given full and free access to all relevant information and are able to take independent professional advice in the furtherance of their duties.

The Company Secretary has the responsibility for ensuring Board procedures are followed and for advising on governance matters. The Company Secretary is also secretary to the Audit and Remuneration Committees. Formal minutes of Board and Committee meetings are prepared and distributed as appropriate to each director.

Corporate Governance (continued)

The Board met nine times during the last year. The Audit Committee met four times and the Remuneration Committee met twice during the last year. The number of Board meetings, Audit and Remuneration Committee meetings attended by each director was as follows:-

	Board	Audit Committee	Remuneration Committee
Sir Alan Sugar	9	n/a	1 (*)
M. A. G. Bland	9	4	2
I. P. Saward	9	n/a	n/a
S. Sugar	9	n/a	n/a
J. S. Beattie	8	n/a	n/a
J. E. Samson	7	4	2
M. R. Mountford	8	4	2

* Although Sir Alan Sugar was not a member of the Remuneration Committee he was invited to attend.

Board Committees

The Board has delegated authority to Board Committees to deal with certain matters in accordance with their terms of reference. 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.

Remuneration Committee

The Remuneration Committee is comprised of Ms M. R. Mountford (Chairman) and Mr J. E. Samson. The Remuneration Committee, which met twice this year, is responsible for:-

- Ensuring the maintenance of a company wide remuneration system;
- Reviewing and recommending to the Board any changes in directors' remuneration and conditions of service;
- Authorising changes in remuneration or the terms and conditions of employment of senior staff and approving the recruitment of senior staff; and
- Recommending to the Board proposals for new bonus schemes.

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 10 to 13. Copies of the Remuneration Committee's terms of reference are available on request from the Company's registered office.

Audit Committee

The Audit Committee is comprised of Mr J. E. Samson (Chairman) and Ms M. R. Mountford. The meetings are normally attended by the external auditors. The Committee, which met four times during the year, is responsible for the following:-

- Reviewing the Annual Report and Accounts and Interim Statement before they are presented to the Board;
- Monitoring the Group's internal financial controls, accounting policies and financial reporting;
- Reviewing the appointment and remuneration of the external auditors, their cost effectiveness, independence and objectives; and
- Deciding the scope of the non-audit services provided by the external auditors which is currently limited to taxation services.

Corporate Governance (continued)

The Audit Committee reviews the appointment and scope of the work of the external auditors and assesses their independence and has recommended to the Board that Deloitte & Touche LLP be re-appointed as auditors at the next Annual General Meeting. Copies of the Audit Committee's terms of reference are available on request from the Company's registered office.

Appointment to the Board

Appointment of executive and non-executive directors is undertaken by the Board as a whole as the Board believes the company's size does not merit the creation of a separate Nominations Committee.

Internal Control

The Board has overall responsibility 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, which was in place throughout the year and up to the date of approval of these financial statements, is regularly reviewed by the Board and accords with the Turnbull Guidance on internal control for directors on the Combined Code.

The key procedures that have been established and are designed to provide effective internal control include:-

- Management and organisational 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 control and reporting - a comprehensive system of budgeting, monthly reporting and forecasting with monthly monitoring and formal reporting to the Board;
- Internal control procedures - documentation of procedures and authority levels in the Company's procedures manual which is regularly updated;
- Audit committee - meetings are held at least twice a year with the external auditors to consider any reporting or control issues raised by the external auditors; and
- Internal audit – the Board considers annually whether there is the need for an internal audit function but has concluded, having regard for the monitoring systems referred to above and the size and complexity of the business, that there is no current business requirement for such a role.

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 in a timely manner to all queries received. An investor relations page is provided on the Company's website (www.amstrad.com) which includes copies of Company Announcements, Annual Reports and Interim Statements. The Board uses the Annual General Meeting to communicate with all investors and shareholders are given the opportunity to question the Chairman. In addition the Company meets twice a year with major shareholders after the release of the full year and half year results.

Report of the Directors

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2005.

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 DSG international plc.

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 to 4.

Results and dividends

The profit for the year on ordinary activities before tax was £19.1m (2004: £15.6m).

An interim dividend of 2.0p per share was paid to the shareholders on 6 April 2005 (2004: 1.5p). The directors recommend the payment of an increased final dividend of 4.5p per share (2004: 3.5p).

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 6 to the financial statements.

Share capital

Details of issued share capital are given in note 21 to the financial statements.

Directors and their interests

The present membership of the Board is set out on page 1. All of the directors served throughout the year. In accordance with the Articles of Association of the Company, Sir Alan Sugar and Ms M. R. Mountford retire by rotation and offer themselves for re-election at the Annual General Meeting.

Details of related party transactions and directors' interests in transactions during the year are included in note 29 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 10 to 13.

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 2005 or at 15 September 2005 save as disclosed below:

	30 June 2005		*15 September 2005*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Amshold Limited (*)	23,026,313	28.2%	23,026,313	28.2%
Herald Investment Trust	6,951,597	8.5%	6,951,597	8.5%
Schroders plc (†)	9,750,010	11.9%	9,750,010	11.9%

* Amshold Limited is owned by Sir Alan Sugar

† As discretionary fund manager

Report of the Directors (continued)

Political and charitable donations

No charitable donations were made during the year (2004: £64,103). No political donations were made during the year (2004: £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 2005 was 18 days (2004: 39 days).

Environmental Policy

The Company seeks to minimise the environmental impact of its business and to operate in accordance with the standards required by law and codes of best practice.

Procedures have been implemented to require that the packaging the Company specifies in the design process is recyclable. The Company is currently preparing for compliance with the Waste Electrical and Electronic Equipment ("WEEE") Directive and the Restriction of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") Directive. The WEEE Directive sets goals for the recycling of electrical goods and is currently planned to come into effect in 2006. The RoHS Directive also comes into effect in 2006 and prohibits the use of lead solder and certain other restricted substances.

International Financial Reporting Standards

To date the Group has prepared its accounts in compliance with UK Generally Accepted Accounting Principles ("UK GAAP"). EU Regulations require the Group to adopt International Financial Reporting Standards ("IFRS") for the year ending 30 June 2006 and therefore the Interim Statement for the six months to 31 December 2005 will be prepared under IFRS with prior year comparatives restated accordingly. The Board believes that based on the current IFRS standards in place the main areas of impact on the Group's accounts are the need to revalue (mark to market) foreign exchange forward contracts and foreign currency denominated component purchase contracts, the capitalisation and subsequent amortisation of development expenditure and the charging of a fair value in relation to share option grants.

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

22 September 2005

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 24 November 2005, 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 2005.

Directors' emoluments
The emoluments of the directors for the year ended 30 June 2005 were as follows:

	Salary/ Fees £000	*Bonus Payments £000*	*Benefits in kind £000*	*Total for year ended 30 June 2005 £000*	*Total for year ended 30 June 2004 £000*
Sir Alan Sugar (Chairman)	368	-	-	368	350
M.A.G. Bland	127	23	13	163	169
I.P. Saward	146	34	14	194	182
S.Sugar	165	50	13	228	246
J. S. Beattie	100	31	14	145	89
J.E. Samson – non-executive director	30	-	-	30	28
M.R. Mountford – non-executive director	30	-	-	30	28
	966	138	54	1,158	1,092

Report of the Board on Directors' Remuneration (continued)

Directors' interests in shares
The directors of the Company as at 30 June 2005 had the following interests in the shares of Amstrad plc:

	Ordinary shares of 10p each	
	30 June 2005	*1 July 2004*
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:

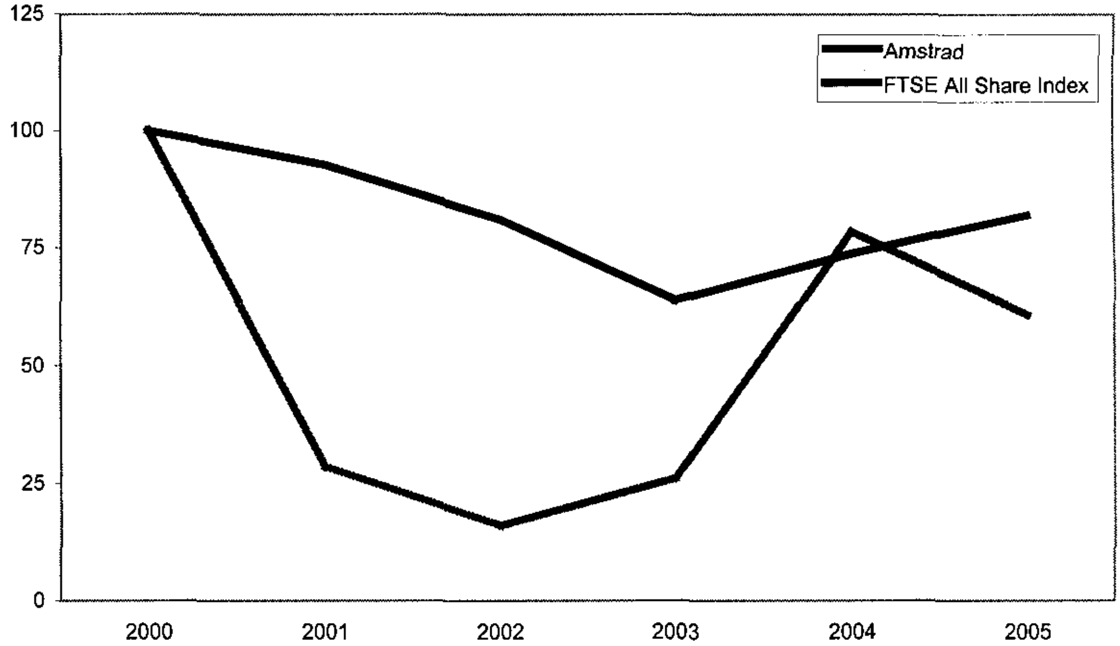
	1 July 2004	Exercised in Year	30 June 2005	Exercise Price	Exercise Period From	To
M.A.G. Bland	150,000	150,000	-	31.0p	19.12.00	19.12.04
	100,000	-	100,000	26.5p	23.10.05	23.10.12
I.P. Saward	350,000	250,000	100,000	30.0p	05.10.01	05.10.05
	100,000	-	100,000	26.5p	23.10.05	23.10.09
S. Sugar	50,000	50,000	-	31.0p	19.12.00	19.12.04
	300,000	50,000	250,000	30.0p	05.10.01	05.10.05
	100,000	-	100,000	26.5p	23.10.05	23.10.12
J.S. Beattie	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 2005 was 140p (2004: 217.5p). The highest mid-market price during the year was 220p and the lowest 126p. Mr M. A. G. Bland exercised options over 150,000 shares, Mr I. P. Saward exercised options over 250,000 shares, Mr S. Sugar exercised options over 100,000, shares, and Mr J. S. Beattie exercised options over 20,000 shares. All of these shares were immediately sold at a price per share of 195p. The aggregate pre-tax gain made by the directors on the exercise of options during the year ended 30 June 2005 was £851,000.

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

By order of the Board

Margaret Mountford

M.R. Mountford
Chairman of the Remuneration Committee

22 September 2005

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 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow, the statement of total recognised gains and losses, and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. 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 and auditing standards.

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 regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long-term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the July 2003 FRC 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.

Independent Auditors' report to the members of Amstrad plc (continued)

Basis of audit opinion (continued)

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 report of the board on 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 2005 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
22 September 2005

Consolidated Profit and Loss Account

	Note	*Year ended 30 June 2005 £000*	*Year ended 30 June 2004 £000*
Turnover	3	102,513	57,367
Cost of sales (including exceptional costs of £5,743,000 (2004: £nil))	4	(76,476)	(35,509)
Gross profit		26,037	21,858
Distribution costs		(1,930)	(1,065)
Administrative expenses		(6,203)	(5,641)
Net operating expenses		(8,133)	(6,706)
Operating profit		17,904	15,152
Net interest receivable	5	1,206	489
Profit on ordinary activities before taxation	6	19,110	15,641
Tax charge on profit on ordinary activities	9	(5,510)	(3,522)
Profit on ordinary activities after taxation		13,600	12,119
Minority interest		187	(329)
Profit attributable to shareholders		13,787	11,790
Dividends	10	(5,307)	(4,044)
Retained profit for the financial year	22	8,480	7,746
Basic earnings per share	12	16.9p	14.6p
Diluted earnings per share	12	16.6p	14.3p
Equity dividends per share	10	6.5p	5.0p

Statement of Total Recognised Gains and Losses

Profit for the financial year	13,787	11,790
Exchange translation differences on foreign currency net investments	43	(154)
Total recognised gains relating to the year	13,830	11,636

The turnover and operating results all relate to continuing operations.

Consolidated Balance Sheet

	Note	*30 June 2005 £000*	*30 June 2004 £000*
Fixed assets			
Intangible assets	2	381	685
Tangible assets	13	377	495
		758	1,180
Current assets			
Stocks	15	8,899	9,378
Debtors	16	11,833	22,647
Cash at bank and in hand	18	40,374	21,767
		61,106	53,792
Creditors: amounts falling due within one year	19	(15,519)	(20,119)
Net current assets		45,587	33,673
Total assets less current liabilities		46,345	34,853
Provisions for liabilities and charges	20	(5,301)	(2,377)
Total net assets		41,044	32,476
Called up share capital	21	8,166	8,101
Share premium account	22	6,593	6,426
Capital reserve	22	3,618	3,618
Profit and loss account	22	22,490	13,967
Equity shareholders' funds	23	40,867	32,112
Minority interest	2	177	364
		41,044	32,476

The financial statements were approved by the Board of Directors on 22 September 2005.

Sir Alan Sugar

M.A.G. Bland
Directors

Company Balance Sheet

	Note	*30 June 2005 £000*	*30 June 2004 £000*
Fixed assets			
Tangible assets	13	258	408
Investments	14	11,505	19,306
		11,763	19,714
Current assets			
Stocks	15	-	-
Debtors	16	11,822	21,748
Cash at bank and in hand	18	38,669	21,183
		50,491	42,931
Creditors: amounts falling due within one year	19	(34,540)	(35,146)
Net current assets		15,951	7,785
Total assets less current liabilities		27,714	27,499
Provisions for liabilities and charges	20	(5,044)	(1,961)
Total net assets		22,670	25,538
Called up share capital	21	8,166	8,101
Share premium account	22	6,593	6,426
Capital reserve	22	1,198	1,198
Profit and loss account	22	6,713	9,813
Equity shareholders' funds		22,670	25,538

The financial statements were approved by the Board of Directors on 22 September 2005.

Sir Alan Sugar

M.A.G. Bland
Directors

Consolidated Cash Flow Statement

	Note	Year ended 30 June 2005 £000	Year ended 30 June 2004 restated (see note 1g) £000
Net cash inflow from operating activities	24	26,490	2,791
Returns on investments and servicing of finance	25	1,130	480
Taxation paid	25	(5,399)	(2,981)
Capital expenditure	25	(448)	(439)
Equity dividends paid		(4,467)	(2,974)
Cash inflow/(outflow) before management of liquid resources and financing		17,306	(3,123)
Management of liquid resources			
(Increase)/Decrease in short-term deposits		(11,575)	6,929
Financing			
Issue of shares		232	372
Increase in cash in the year		5,963	4,178

Reconciliation of net cash flow to movement in net cash

	Note	2005	2004
Increase in cash in the year		5,963	4,178
Exchange translation differences		89	(10)
Increase/(Decrease) in short-term deposits		11,575	(6,929)
Net cash at 1 July		21,767	24,528
Net Cash at 30 June	26	39,394	21,767

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 2005. 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 estimated "subsidy" on e-m@iler units in stock at 30 June 2005 was £0.6m (2004: £2.2m) and this will be recognised when the hardware is sold.

(g) Cash

Deposits are treated as cash if they are repayable on demand without notice and without penalty or if they can be withdrawn within 24 hours. Other cash deposits, all of which have a maturity of less than three months, are treated as liquid resources. This has been reflected in the consolidated cash flow statement with comparatives restated accordingly. This has resulted in £11,171,000 of cash being reclassified as liquid resources for the year ended 30 June 2004. This is shown in note 26.

1. Principal accounting policies (continued)

(h) **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.

(i) **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.

(j) **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.

(k) **Warranty**
Provision is made for costs relating to anticipated sales returns of products within their warranty period and the cost of repairing units that become faulty within their warranty period.

(l) **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 DSG international plc ("DSG") owned a 19.9% stake in Amserve. On 27 September 2001 Amstrad subscribed £12 million for additional shares in Amserve and as a result DSG's 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 2004	685
Goodwill amortisation	(304)
As at 30 June 2005	381

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.

2. Amserve (continued)

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.

In previous Annual Report and Accounts the results of the Amserve business were shown as a separate column in the Profit and Loss Account as in its early days the Amserve business was reporting significant losses from the initial subsidies on phones sold. Now that the business is more mature it is no longer felt appropriate to disclose this business separately in the Profit & Loss Account. Had Amserve been reported separately it would have reported sales of £10.1m (2004: £12.1m) and a pre-tax loss of £3.1m (2004: £3.1m profit) after deducting exceptional costs, relating to stock provisions, of £5.7m (2004: £nil).

3. Turnover

All turnover derives from one class of business originating in the United Kingdom. An analysis of turnover by geographical destination is as follows:

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
United Kingdom	67,395	47,785
Italy	24,490	-
USA	7,277	6,281
Other Mainland European Countries	2,827	2,537
Other Countries	524	764
	102,513	57,367

4. Exceptional costs

Exceptional costs of £5,743,000 (2004: £nil) relates to the write down of the book value of e-m@iler stocks to their anticipated net realisable value.

5. Net interest receivable

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Interest receivable from bank	1,206	489

6. Profit on ordinary activities before taxation

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

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Depreciation of owned tangible fixed assets	583	365
Goodwill amortisation	304	305
Profit on sale of tangible fixed assets	(17)	(17)
Research and development expenditure	2,513	2,432
Operating leases: land and buildings	192	182
Auditors' remuneration - audit	73	61
Auditors' remuneration - interim review	10	9
Auditors' remuneration - taxation compliance work	58	55
Auditors' remuneration - taxation advisory work	25	-
Auditors' remuneration - other services	5	-
Directors' emoluments	1,158	1,092

The Group's expenditure above on auditors' remuneration for audit work amounted to £73,000 (2004: £61,000) and included £44,000 (2004: £37,000) relating to the Company's audit.

7. Emoluments of directors

Details of directors' emoluments and directors' share options are included in the Report of the Board on Directors' Remuneration on pages 10 to 13. The report of the auditors on the Financial Statements 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".

8. Staff numbers and costs

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:

	Year ended 30 June 2005 No.	*Year ended 30 June 2004 No.*
Administration	24	26
Sales and marketing	6	4
Warehousing, service and distribution	3	3
Technical and product management	52	49
	85	82

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Wages and salaries, including bonuses	4,190	3,858
Social security costs	427	409
	4,617	4,267

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

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Tax based on the profit on ordinary activities for the year:		
UK Corporation tax at 30% (2004: 30%)	(5,605)	(3,926)
Adjustments in respect of prior periods	228	130
Overseas tax	(140)	(94)
Current tax charge	(5,517)	(3,890)
Deferred tax credit	7	368
	(5,510)	(3,522)

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% (2004: 30%) as explained below:

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Profit on ordinary activities at the standard rate of corporation tax of 30%	(5,733)	(4,692)
Effects of:		
Expenses not deductible for tax purposes	37	(109)
Capital allowances in excess of depreciation	(25)	60
Movement in short-term timing differences	(24)	(4)
Adjustments in respect of prior periods	228	130
Utilisation of tax losses	-	725
Current tax charge	(5,517)	(3,890)

10. Dividends

The directors propose an increased final dividend of 4.5p (2004: 3.5p) per share, which together with the interim dividend of 2.0p (2004: 1.5p) per ordinary share paid on 6 April 2005 makes a total distribution of 6.5p (2004: 5.0p) per ordinary share in respect of the year ended 30 June 2005.

11. Profit for the year

In accordance with the exemption allowed by Section 230(4) of the Companies Act 1985, the Company has not presented its own profit and loss account. The parent company's profit after taxation for the financial year amounted to £2.2 million (2004: £5.0 million).

12. 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 £13,787,000 (2004: £11,790,000) and on the average number of shares in issue during the year of 81,439,848 (2004: 80,592,749). Diluted earnings per share is based on the same earnings figure as above and 82,998,887 (2004: 82,334,375) 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.

13. Tangible fixed assets

	Motor Vehicles £000	Fixtures fittings tools and equipment £000	Total £000
Group			
Cost			
At 1 July 2004	123	2,038	2,161
Exchange adjustment	-	10	10
Additions	-	488	488
Disposals	(97)	(405)	(502)
At 30 June 2005	26	2,131	2,157
Depreciation			
At 1 July 2004	79	1,587	1,666
Exchange adjustment	-	10	10
Charge for the year	12	571	583
Disposals	(74)	(405)	(479)
At 30 June 2005	17	1,763	1,780
Net book value			
At 30 June 2005	9	368	377
At 30 June 2004	44	451	495
Company			
Cost			
At 1 July 2004	97	1,709	1,806
Additions	-	339	339
Disposals	(97)	(445)	(542)
At 30 June 2005	0	1,603	1,603
Depreciation			
At 1 July 2004	68	1,330	1,398
Charge for the year	6	420	426
Disposals	(74)	(405)	(479)
At 30 June 2005	0	1,345	1,345
Net book value			
At 30 June 2005	0	258	258
At 30 June 2004	29	379	408

14. Investments - Company

Investments of the Company at 30 June 2005 of £11,505,000 (2004: £19,306,000) comprise shares in subsidiary undertakings at cost of £19,306,000 (2004: £19,306,000) less provisions of £7,801,000 (2004: £nil). 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.

15. Stocks

	Group		*Company*	
	30 June 2005 £000	*30 June 2004 £000*	*30 June 2005 £000*	*30 June 2004 £000*
Finished goods and goods for resale	8,301	8,343	-	-
Raw materials and consumables	598	1,035	-	-
	8,899	9,378	-	-

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

16. Debtors

	Group		*Company*	
	30 June 2005 £000	*30 June 2004 £000*	*30 June 2005 £000*	*30 June 2004 £000*
Trade debtors	4,597	9,715	4,100	8,957
Amounts owed from subsidiary undertakings	-	-	2,428	2,158
Other debtors	4,577	10,024	4,589	10,022
Prepayments and accrued income	2,110	2,443	370	212
Corporation tax recoverable	174	97	-	-
Group relief receivable	-	-	66	130
Deferred tax asset (see note 17)	375	368	269	269
	11,833	22,647	11,822	21,748

Other debtors principally relates to amounts owed by finished product suppliers for key components sourced by Amstrad for use in future production.

17. Deferred tax asset

	Group		Company	
	30 June 2005 £000	30 June 2004 £000	30 June 2005 £000	30 June 2004 £000
Fixed asset timing differences	245	262	234	247
Other short term timing differences	130	106	35	22
	375	368	269	269

Movement on deferred tax asset:

	Group £000	Company £000
At 1 July 2004	368	269
Credit to the profit and loss account	7	-
At 30 June 2005	375	269

18. Cash at bank and in hand

	Group		Company	
	30 June 2005 £000	30 June 2004 £000	30 June 2005 £000	30 June 2004 £000
Cash	17,608	10,596	16,402	10,012
Liquid resouces	22,766	11,171	22,267	11,171
	40,374	21,767	38,669	21,183

19. Creditors: amounts falling due within one year

	Group		Company	
	30 June 2005 £000	30 June 2004 £000	30 June 2005 £000	30 June 2004 £000
Bank overdraft	980	-	980	-
Trade creditors	3,511	9,983	3,095	9,549
Amounts owed to *subsidiary undertakings*	-	-	23,541	19,158
Corporation tax payable	2,549	2,356	38	23
Overseas tax payable	131	134	-	-
Other taxes and social security	883	1,028	588	569
Accruals and deferred income	3,790	3,783	2,623	3,012
Dividend payable	3,675	2,835	3,675	2,835
	15,519	20,119	34,540	35,146

20. 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 2004	1,677	700	2,377	1,261	700	1,961
Provided in the year	4,179	112	4,291	3,991	112	4,103
Utilised in the year	(1,367)	-	(1,367)	(1,020)	-	(1,020)
At 30 June 2005	4,489	812	5,301	4,232	812	5,044

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

21. Called up share capital

	30 June 2005		30 June 2004	
	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	81,656,836	8,166	81,013,836	8,101

During the year 643,000 shares were issued in respect of share options exercised for a total consideration of £232,000.

The following options to subscribe for shares have been granted and were outstanding at 30 June 2005 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	40,000	31.0p	19.12.00	19.12.07
5 October, 1998	350,000	30.0p	05.10.01	05.10.05
5 October, 1998	70,000	30.0p	05.10.01	05.10.08
20 October, 1999	25,096	106.0p	20.10.02	20.10.06
20 October, 1999	103,504	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	76,500	59.0p	27.03.04	27.03.11
20 March, 2002	70,900	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	75,000	117.0p	01.10.06	01.10.13
24 March, 2004	157,759	174.0p	24.03.07	24.03.11
24 March, 2004	17,241	174.0p	24.03.07	24.03.14
4 November, 2004	9,085	188.5p	04.11.07	04.11.11
4 November, 2004	15,915	188.5p	04.11.07	04.11.14

Details of directors' share options are disclosed in the Report of the Board on Directors' Remuneration on pages 10 to 13.

22. Share premium account and reserves

	Share premium account £000	Capital reserve £000	Profit and loss account £000	Total £000
Group				
At 1 July 2004	6,426	3,618	13,967	24,011
Premium on shares issued during the year	167	-	-	167
Profit retained for the financial year	-	-	8,480	8,480
Currency translation differences on foreign currency net investments	-	-	43	43
At 30 June 2005	6,593	3,618	22,490	32,701
Accumulated goodwill written off against reserves	-	-	5,495	5,495
Company				
At 1 July 2004	6,426	1,198	9,813	17,437
Premium on shares issued during the year	167	-	-	167
Profit retained for the financial year	-	-	(3,100)	(3,100)
At 30 June 2005	6,593	1,198	6,713	14,504

23. Reconciliation of movements in equity shareholders' funds

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
At 1 July	32,112	24,148
Shares issued during the year	232	372
Profit for the year	13,787	11,790
Exchange translation differences	43	(154)
Dividends	(5,307)	(4,044)
At 30 June	40,867	32,112

24. Net cash inflow from operating activities

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Operating profit	17,904	15,152
Exchange translation differences	(71)	(139)
Goodwill amortisation	304	305
Depreciation	583	365
Profit on sale of tangible fixed assets	(17)	(17)
Decrease/(Increase) in stocks	479	(5,911)
Decrease/(Increase) in debtors	11,038	(15,648)
(Decrease)/Increase in creditors	(6,654)	8,595
Increase in provisions	2,924	89
Net cash inflow from operating activities	26,490	2,791

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

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(a) *Returns on investments and servicing of finance*		
Interest received	1,130	480
(b) Taxation paid		
UK corporation tax paid	5,262	2,921
Overseas tax paid	137	60
	5,399	2,981

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(c) Capital Expenditure		
Purchase of tangible fixed assets	(488)	(495)
Sale of tangible fixed assets	40	56
Net cash outflow from capital expenditure	(448)	(439)

26. Analysis of net cash

	At 1 July 2004 £000	Cash Flow £000	Exchange Movement £000	At 30 June 2005 £000
Cash	10,596	6,943	69	17,608
Bank overdraft	-	(980)	-	(980)
	10,596	5,963	69	16,628
Liquid resources	11,171	11,575	20	22,766
	21,767	17,538	89	39,394

Deposits are treated as cash if they are repayable on demand without notice and without penalty or if they can be withdrawn within 24 hours. Other cash deposits, all of which have a maturity of less than three months, are treated as liquid resources.

27. 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 2004.

27. Financial instruments (continued)

(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 2005 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.

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

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Sterling deposits	39,810	14,230
US Dollar deposits	498	7,520
Other Currency deposits	66	17
US Dollar overdraft	(980)	-
	39,394	21,767

The cash deposits and liquid resources which all have a maturity date of less than three months were all at fixed rates of interest. As at 30 June 2005 the Group had an unsecured overdraft facility of £2.9m (2004: £5.5m) which is renewable annually on 31 December. An amount of £1.0m (2004: £nil) was utilised under this facility as at 30 June 2005.

As at 30 June 2005 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 2005 the net US dollar asset was £0.8m (2004: £8.8m asset). As at 30 June 2005 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 and from sales in foreign currencies. As at 30 June 2005 the Group had forward foreign exchange contracts totalling £18.1m (2004: £18.8m) covering foreign currency denominated commitments in the new financial year. As at 30 June 2005 the unrealised mark to market gain on these forward contracts was £1.1m (2004: £0.3m gain).

28. Financial commitments

(a) Capital commitments

At 30 June 2005 there was no capital expenditure contracted for but not provided in these financial statements (2004: £nil). There were no other contracted commitments, other than those provided in the financial statements (2004: £nil).

(b) Operating lease commitments

At 30 June 2005 the Group had annual commitments under operating leases relating to land and buildings as follows:

	Year ended 30 June 2005 £000	*Year ended 30 June 2004 £000*
Expiring within one year	-	182
Expiring between two and five years inclusive	265	-
	265	182

29. 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 a five year break clause on 3 June 2005. Effective from that date a new rent was agreed for the remaining 5 years to 3 June 2010. The rent payable is the same as paid by unrelated third parties for identical floors in the same building. On 24 June 2005 the Company entered into a new lease with Amsprop for an additional floor. The rent payable is the same as the other floors and the lease is co-terminous with the other leases. During the year rent of £183,000 (2004: £182,000) was paid to Amsprop. As at 30 June 2005 the Company owed rent to Amsprop of £nil (2004: £45,648).

During the year the Company purchased from Viglen Limited ("Viglen"), a company controlled by Sir Alan Sugar, computer equipment and services with a total value of £12,490 (2004: £12,630). The Company charged Viglen £nil (2004: £28,514) for technical and procurement services supplied during the year. As at 30 June 2005 the Company owed Viglen £1,286 (2004: £2,996).

During the year £50,874 (2004: £3,000) was paid to Amsair GmbH, a subsidiary of Amsair Limited, a company controlled by Sir Alan Sugar, for the hire of aircraft used by Amstrad staff for business purposes. As at 30 June 2005 the Company owed the Amsair group £nil (2004: £nil).

By virtue of Sir Alan Sugar's interest in 13.6% of the ordinary shares in Tottenham Hotspur plc ("Tottenham") he had an interest in a one year contract agreed on 14 June 2004 for the purchase from Tottenham of advertising and box hire relating to the 2004/2005 football season, for a total consideration of £33,900. On 19 May 2005 a new one year contract was agreed for the 2005/2006 football season for a total consideration of £34,900. As at 30 June 2005 the Company owed Tottenham £nil (2004: £nil).

As disclosed in the Report of the Board on Directors' Remuneration, Sir Alan Sugar's services are provided to Amstrad plc by Amshold Limited ("Amshold"), a company owned by Sir Alan Sugar. As at 30 June 2005 the Company owed Amshold £nil (2004: £29,167).

As disclosed in note 2 DSG international plc ("DSG") owns 10.2% of Amserve limited. In the year ended 30 June 2005 the Group made sales of £737,000 (2004: £1,106,000) to DSG. As at 30 June 2005 DSG owed £25,000 (2004: The Group owed DSG £8,000) in relation to the sale of e-m@ilers to DSG.

Financial record

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Turnover:					
Group and share of joint venture	102,513	57,367	43,849	40,204	65,017
Less: share of joint venture	-	-	-	(474)	(4,130)
Group turnover	102,513	57,367	43,849	39,730	60,887
Gross profit (*)	26,037	21,858	10,748	7,202	8,949
Net operating expenses	(8,133)	(6,706)	(7,599)	(9,552)	(4,453)
Operating profit/(loss)	17,904	15,152	3,149	(2,350)	4,496
Share of joint venture operating loss	-	-	-	(571)	(5,062)
Total operating profit/(loss)	17,904	15,152	3,149	(2,921)	(566)
Net interest receivable	1,206	489	639	1,136	1,526
Profit/(Loss) before taxation	19,110	15,641	3,788	(1,785)	960
Taxation	(5,510)	(3,522)	(1,286)	(50)	(404)
Profit/(Loss) after taxation	13,600	12,119	2,502	(1,835)	556
Minority interest	187	(329)	433	386	-
Profit/(Loss) attributable to shareholders	13,787	11,790	2,935	(1,449)	556
Dividends	(5,307)	(4,044)	(2,404)	(1,839)	(1,832)
Retained profit/(loss) for the year	8,480	7,746	531	(3,288)	(1,276)
Basic earnings/(loss) per share	16.9p	14.6p	3.7p	(1.8)p	0.7p
Dividends per share	6.5p	5.0p	3.0p	2.3p	2.3p
Capital employed					
Fixed assets	758	1,180	1,401	1,846	553
Net operating assets	40,286	31,296	22,782	22,258	26,439
Net assets	41,044	32,476	24,183	24,104	26,992
Financed by					
Share capital	8,166	8,101	8,021	7,997	7,993
Reserves and share premium	32,701	24,011	16,127	15,639	18,999
Equity shareholders' funds	40,867	32,112	24,148	23,636	26,992
Minority interest	177	364	35	468	-
	41,044	32,476	24,183	24,104	26,992

* After exceptional costs of £5,743,000 (prior years £nil)

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 24 November 2005 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 2005 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 2005.
3. To declare a final dividend of 4.5p per ordinary share.
4. To re-elect Sir Alan Sugar who retires by rotation (Note 1).
5. To re-elect Ms M. R. Mountford who retires by rotation (Note 2).
6. To re-appoint Deloitte & Touche LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration.

Special business

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

7. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise the power of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £646,595 to such persons and at such times and on and subject to such terms as the directors shall determine provided that this authority shall unless renewed expire on the conclusion of the next Annual General Meeting of the Company after passing of this resolution, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8. That subject to the passing of resolution 7 set out in the notice convening this Meeting, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority referred to in resolution 6 of the notice convening this Meeting as if section 89(1) of the Act did not apply to such allotment provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with an invitation or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or requirements of any recognised regulatory body, in any territory; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value not exceeding £408,284,

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

Notes:

1. Sir Alan Sugar, aged 58, is the Chairman and CEO of Amstrad which he founded in 1968. He was awarded an honorary DSc in 1988 by the City University Business School and an honorary DSc in 2005 by Brunel University. He was awarded a Knighthood in the Millennium New Year's honours list. He is involved in a number of charitable activities and in promoting entrepreneurship in the UK.

2. Ms M.R. Mountford, aged 53, is a non-Executive Director. She has many years' corporate law experience as a partner in the law firm, Herbert Smith, from which she retired in March 1999. She was appointed to the Board in September 1999. The Board believes that Ms M. R. Mountford brings valuable corporate law and general commercial experience to the Board and has been an effective and committed non-executive director over the years and as such recommends her re-appointment as a director.

3. Any member entitled to attend and vote at the Meeting convened by the above Notice may appoint one or more proxies to attend and vote instead of him/her. The proxy need not be a member of the Company. A form of proxy is enclosed and to be valid, it must be lodged at the offices of the Company's registrars, Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU together with the power of attorney or written authority, if any, under which it is signed (or a notarially certified or office copy of such power or written authority) not less than 48 hours before the time fixed for the Meeting. The appointment of a proxy does not preclude a member from attending and voting at the Meeting.

4. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those members registered in the register of members of the Company as at 11.00 a.m. on 22 November 2005 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 22 November 2005 will be disregarded in determining the rights of any person to attend or vote at the Meeting.

5. A statement of the share transactions, if any, of each director up to and including 22 September 2005 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 22 September 2005

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 24 November 2005 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 2005 and the directors' and auditors' reports thereon	☐	☐
2. To approve the Report of the Board on Directors Remuneration for the year ended 30 June 2005	☐	☐
3. To declare a final dividend of 4.5p per ordinary share	☐	☐
4. To re-elect Sir Alan Sugar as a director	☐	☐
5. To re-elect Ms M. R. Mountford as a director	☐	☐
6. To re-appoint Deloitte & Touche LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration	☐	☐
7. To give the directors authority to allot shares	☐	☐
8. To disapply pre-emption rights on allotment of equity securities (special resolution)	☐	☐

Signature .... Date ....

Notes:

1. If you wish to appoint some other person, please insert his/her name and address, initial the insertion and strike out the words "the Chairman of the Meeting".
2. Please indicate with an X how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote or abstain as he/she thinks fit.
3. A form of proxy executed by a corporation must be executed as a deed or under the hand of a duly appointed officer or attorney.
4. To be valid, this proxy form must be lodged, together with any power of attorney or other written authority under which it is signed (or a notarially certified copy of such power of authority) with the Company's Registrar, Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the Meeting.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.
6. Completion and return of the form of proxy will not preclude shareholders attending and voting at the Meeting should they subsequently decide to do so.