Amstrad®

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Amstrad plc
Annual Report & Accounts
2005/2006

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 78, 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.

Ms. M. R. Mountford, aged 54, has many years' corporate law experience as a partner in the law firm, Herbert Smith, from which she retired in March 1999. She is also a non-executive director of Georgica plc.

Company Secretary M. A. G. Bland BA ACA

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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 Results

The Group reported a profit before tax of £20.2m (2005: £19.6m) on sales of £91.7m (2005: £101.5m). The earnings per share were 18.4p (2005: 17.2p).

The results published in this Announcement are the first full year results to be prepared by the Group on the basis of International Financial Reporting Standards, as opposed to UK Generally Accepted Accounting Practice as has previously been the case. The main impact on the Group's accounts are the need to revalue (i.e. mark to market) foreign exchange forward contracts and certain foreign currency denominated stock purchase contracts, the capitalisation and subsequent amortisation of development expenditure and the charging to the income statement of a fair value in relation to share option grants. In these statements the comparative figures for the year to 30 June 2005 have been restated accordingly and the full impact of these changes to reporting under IFRS are outlined in the notes to the financial statements.

As shareholders will be aware, the Group has been generating significant levels of cash over the last few years. The cash is now at a level where the Board feels it appropriate to recommend to shareholders the return, by way of dividend, of £30m. It is proposed that the return of cash is by way of a special dividend of 32p per ordinary share and a normal final dividend of 4.5p (2005: 4.5p) per ordinary share with both dividends to be paid on 8 December 2006 to shareholders on the register on 6 October 2006. The Company paid an interim dividend of 2.5p (2005: 2.0p) per ordinary share on 6 April 2006.

The Group's net assets have increased to £56.3m (2005: £46.0m). As at 30 June 2006 the Group had cash of £56.4m (2005: £40.3m). Inventories of £6.1m (2005: £8.7m) were lower than last year reflecting the successful sale of all of the Group's e-mailer stocks.

Review of Activities

Volumes of satellite set top boxes sold to the UK and Italian markets were similar overall to a year ago. The reduction in sales value reflects both the mix of product sales with a higher proportion of standard set top box sales this year and the inevitable downward pressure on selling prices of more mature products. However, our continuing focus on cost reduction through re-engineering and component price and manufacturing cost reductions has helped mitigate the impact of price pressure on profits.

During the financial year we have been developing HDTV set top boxes and in June 2006 we made our first deliveries of this product to the Italian market.

The Hong Kong business, which designs, manufactures and sells audio products to the US and European markets, has achieved a slightly lower level of sales compared to last year, which was a good result in what is a very competitive audio products market.

During the year the Amserve business sold all of its e-mailer stocks to retailers with approximately 64,000 e-mailer units being bought and registered by consumers bringing the total registered since the initial launch of the product to 493,000 units.

The installed base of e-mailers continues to generate significant usage revenue for the Group from e-mail, internet access, sms, downloading of ringtones and advertising. In March 2006 the e-mail tariff was increased and to date this tariff change does not appear to have had a significant impact on the normal churn rate. Based on the figures for June 2006 usage revenue this equated to an annualised figure of £7.9m.

Chairman's Statement (continued)

Outlook

The broadcasting industry is increasingly moving towards high definition television and we continue to work on developing HDTV set top boxes and HDTV PVR boxes, with deliveries of HDTV boxes having already commenced and deliveries of the HDTV PVR box scheduled for the second half of the new financial year.

In September 2005 we announced that it had been agreed with BSkyB that we would develop and supply a new PVR set top box. Development work is ongoing on this product and we now expect first deliveries to be in the second half of the current financial year rather than in the first half as we originally envisaged. The development of this leading edge product will leave us well placed for the future.

The current financial year will see a growing transition towards HDTV. Our new models will start to ship in the current financial year but the benefit of full scale production volumes will not be seen until the following year and correspondingly we expect demand to decline on the current models in the current year. As such shareholders should not expect the same level of result as that which we have just reported.

We continue to invest in the development of the next generation of smart phones for use on broadband lines and are in discussions with telecom providers on the potential for these products.

Sir Alan Sugar
Chairman
28 September 2006

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 2006 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 include:-

- 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 eleven 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	11	n/a	1(*)
M. A. G. Bland	11	4(†)	2(†)
I. P. Saward	11	n/a	n/a
S. Sugar	10	n/a	n/a
J. S. Beattie	10	n/a	n/a
J. E. Samson	10	4	2
M. R. Mountford	10	4	2

* Although Sir Alan Sugar was not a member of the Remuneration Committee he was invited to attend.
† M.A.G. Bland attends the Audit and Remuneration Committees in his capacity as Company Secretary.

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, a Remuneration Committee and an Audit 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 11 to 14. 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 are related to taxation services and accountancy advice mainly in respect of the implementation of IFRS.

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 three times 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 2006.

Business review and principal activities

The Group's main activity is the design, development, marketing and distribution of satellite, telecommunication and other consumer electronic products.

The Group currently sells satellite products to the UK and Italian markets. In the UK the Group sells both standard and PVR set top boxes and in Italy the Group sells standard set top boxes with a high definition version launched in June 2006 and a high definition PVR version scheduled to be launched in the new financial year.

Over the last six years the Group has been developing and selling different versions of the e-mailer phone. The e-mailer phone is a fixed line phone that provides consumers with e-mail and internet access as well as a number of other features. The business model for this product is to sell the phone below cost with the "subsidy" recouped by the Group receiving a share of usage revenue. In the year to 30 June 2006 all of the Group's remaining e-mailer stocks were sold and this business therefore no longer needs to subsidise sales and will simply receive ongoing usage revenue from the installed base. The Group is not directly involved in the collection of this revenue from consumers as this is handled by the Company's business partner Thus plc. The Group's e-mailer business is conducted by Amserve Limited which is 89.8% owned by Amstrad plc and 10.2% by DSG international plc.

The Group also designs, manufactures and sells a range of audio products. This business is conducted through the Group's Hong Kong office with product only manufactured to order and with sales principally to the US market.

Product development is the key to the future success of the Group and during the financial year the Group has focused on developing new satellite products including those using high definition technology as well investing in the development of new smart phones for use on broadband lines.

There have not been any significant changes to the Group's principal activities in the year under review and the Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the new financial year.

Principal risks and uncertainties

Risk is present in all businesses and the Board regularly reviews the risks faced by the Group. The Directors consider that the major risks and uncertainties to the Group at this point in time are:

- **Market uncertainties.** The broadcasting industry is going through significant change with the convergence of technology and the move from standard definition to high definition broadcasting. This change presents both opportunities and uncertainties to the Group in terms of future products and potential volumes.

- **Imposition of duty.** The EU is currently considering whether to impose duty on the import of interactive satellite set top boxes to the EU. The Group currently manufactures outside the EU. The imposition of duty is not expected to have an impact in the current financial year and the impact on future business is uncertain as non duty considerations such as labour rates and labour efficiency may still make it more attractive to manufacture outside the EU.

- **Component lead times.** In the consumer electronics business there can be times where components are in short supply with long lead times. The Group regularly monitors the situation and adjusts plans accordingly.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

- **Customer mix**. Most of the Group's sales are to two major broadcasting customers where there is also an ongoing relationship in terms of product evolution and support.
- **Exchange rate risk**. The Group principally sells in sterling and Euros and buys in dollars. There therefore can be risk in terms of adverse exchange rate movements. The Group mitigates this risk by entering forward foreign exchange contracts to buy and sell currency.
- **Warranty**. The Group offers a warranty of between one year and thirty months on its products. A warranty provision is made on every unit sold to cover the forecast cost of repairing units that fail within their warranty period. The amount that is provided per unit is an estimate and is normally based on past experience but by its nature does involve inherent risk and uncertainty.
- **Royalties**. As is normal in this industry the owners of patents covering technology used by the Group have indicated they may seek to claim royalties relating to the Group's current and past use of that technology. The directors accordingly make a provision for potential royalties payable based on the latest information available.

The Group has a strong balance sheet with significant cash balances and debtor balances with major well rated customers and as such the Board does not consider the Group is subject to undue financial risk. The risks associated with the Group's financial instruments are set out in note 28.

Performance monitoring

The Board monitors the Group's performance in a number of ways including key performance indicators. The key financial performance indicators together with the information for 2006 and 2005 are as follows:

	2006	*2005*
• **Revenue**	£91.7m	£101.5m
• **Gross Margin %**	29.4%	25.6%
• **Pre-tax Profit**	£20.2m	£19.6m
• **Cash**	£56.4m	£40.3m

The revenue indicator represents what has been invoiced to customers in the year and measures sales growth or decline in value terms.

The gross margin is calculated by dividing gross profit by revenue and measures the total profitability of product sales.

Pre-tax profit is the profit generated by the Group from operations including finance income and finance costs but before taxation. This indicator measures the overall profitability of the business.

Cash is the year end balance sheet position as reported in the Group balance sheet. This indicator can be affected by the pattern of trading towards year end but does give a general indication of the ability of the Group to generate cash.

These performance indicators are measured against budget and prior year and are re-forecast monthly.

The Board also considers the following key non-financial performance indicators:

- Development projects measured against project milestones.
- Manufacturing output measured against manufacturing plans and customer intake requirements.

These non-financial indicators are reviewed monthly by the Board.

Report of the Directors (continued)

Employees

Details of the number of employees and related costs can be found in note 10 to the Financial Statements.

It is the Group's policy to promote equal opportunities in employment for both existing employees and applicants for employment. Every effort is made to ensure that applications for employment from disabled persons are fully and fairly considered having regard to their particular aptitudes and abilities and that disabled employees have equal opportunities in career development. In the event of an existing employee becoming disabled, every effort is made to ensure that their employment by the Group continues and that appropriate adjustments are made to their work environment.

Environmental matters

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.

The Company is currently preparing for compliance with the Waste Electrical and Electronic Equipment ("WEEE") Directive. The WEEE Directive sets goals for the recycling of electrical goods and is currently planned to come into effect in the UK in 2007. The Restriction of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") Directive came into effect on 1 July 2006 and prohibits the use of lead solder and certain other restricted substances. The Group's products imported after that date comply with the RoHS Directive.

Results and dividends

The profit for the year on ordinary activities before tax was £20.2m (2005: £19.6m).

An interim dividend of 2.5p per share was paid to the shareholders on 6 April 2006 (2005: 2.0p). The directors recommend the payment of a final dividend of 4.5p per share (2005: 4.5p) and a special dividend of 32p per share (2005: nil)

Research and development

Development costs associated with the production of saleable goods are capitalised as an intangible asset and amortised over the expected sales period for the product. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. The development cost charged to the profit and loss account in the year is set out in note 8.

Share capital

Details of issued share capital are given in note 23 to the financial statements.

Directors and their interests

The present membership of the Board is set out on page 1. All of the directors served throughout the year. In accordance with the Articles of Association of the Company, Mr S. Sugar and Mr I.P. Saward 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 30 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 11 to 14.

Report of the Directors (continued)

Substantial interests

The directors are not aware of any shareholders interested in three per cent or more of the issued share capital of the Company at 30 June 2006 or at 21 September 2006 save as disclosed below:

	30 June 2006		*21 September 2006*	
	Ordinary shares of 10p each	*Percentage of share capital*	*Ordinary shares of 10p each*	*Percentage of share capital*
Amshold Limited (*)	23,026,313	27.8%	23,026,313	27.8%
Schroders plc (†)	8,552,065	10.3%	8,503,918	10.3%
Herald Investment Trust	5,901,597	7.1%	5,901,597	7.1%
Barclays PLC	3,563,008	4.3%	3,824,210	4.6%

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

Political and charitable donations

No charitable donations were made during the year (2005: £nil). No political donations were made during the year (2005: £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 2006 was 27 days (2005: 18 days).

Auditors

To the best of the directors' knowledge and belief, and having made appropriate enquiries of other officers of the Company, all information relevant to enabling the auditors to provide their opinion on the financial statements has been provided. The directors have taken all reasonable steps in order to ensure their awareness of any relevant audit information and to establish that the company's auditors are aware of such information.

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
28 September 2006

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 23 November 2006, this report will be submitted to shareholders for their approval. This report has been produced in accordance with the requirements of the Companies Act 1985 as amended by the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority.

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. E. 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 a 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 a 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 2006.

Directors' emoluments
The emoluments of the directors for the year ended 30 June 2006 were as follows:

	Salary/ Fees £000	*Bonus Payments £000*	*Benefits in kind £000*	*Total for year ended 30 June 2006 £000*	*Total for year ended 30 June 2005 £000*
Sir Alan Sugar (Chairman)	386	-	-	386	368
M.A.G. Bland	133	45	14	192	163
I.P. Saward	154	52	14	220	194
S.Sugar	174	98	13	285	228
J. S. Beattie	120	41	15	176	145
J.E. Samson – non-executive director	31	-	-	31	30
M.R. Mountford – non-executive director	31	-	-	31	30
	1,029	236	56	1,321	1,158

Report of the Board on Directors' Remuneration (continued)

Directors' interests in shares

The directors of the Company as at 30 June 2006 had the following interests in the shares of Amstrad plc:

	Ordinary shares of 10p each	
	30 June 2006	*1 July 2005*
Sir Alan Sugar *	23,026,313	23,026,313
M.A.G. Bland	105,000	20,000
I.P. Saward	-	-
S. Sugar	100,000	540,170
J.S. Beattie	67,973	9,150
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 2005	*Exercised in Year*	*30 June 2006*	*Exercise Price*	*Exercise Period From*	*To*
M.A.G. Bland	100,000	100,000	-	26.5p	23.10.05	23.10.12
I.P. Saward	100,000	100,000	-	30.0p	05.10.01	05.10.05
	100,000	-	100,000	26.5p	23.10.05	23.10.09
S. Sugar	250,000	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	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.

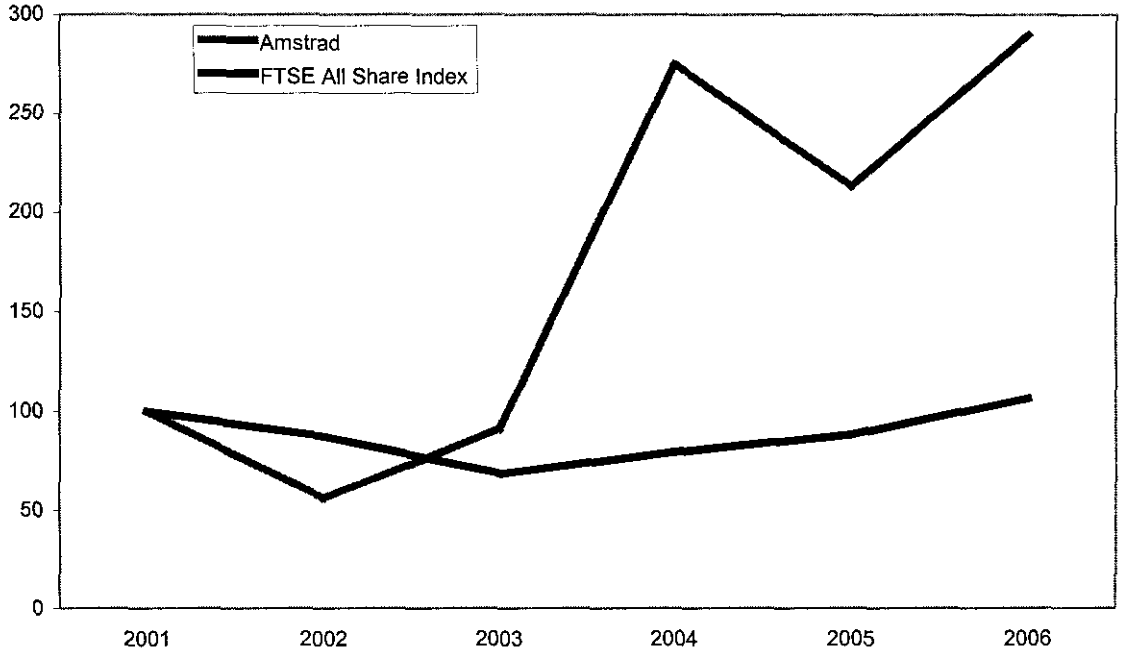
The mid market price of the Company's shares as at 30 June 2006 was 186p (2005: 140p). The highest mid-market price during the year was 208p and the lowest 117p. Mr M. A. G. Bland exercised options over 100,000 shares and immediately sold 15,000 shares at 199p, Mr I. P. Saward exercised options over 100,000 shares and immediately sold the shares at 134p, Mr S. Sugar exercised options over 350,000 shares and immediately sold 250,000 at 134p, and Mr J. S. Beattie exercised options over 58,823 shares. The aggregate pre-tax gain made by the directors on the exercise of options during the year ended 30 June 2006 was £386,000.

The Company's Register of Directors' interests (which is open to inspection) contains full details of directors' shareholdings and share options.

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

M.R. Mountford
Chairman of the Remuneration Committee

28 September 2006

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the Group in accordance with International Financial Reporting Standards (IFRSs) and for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

In the case of UK GAAP accounts, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgments and estimates that are reasonable and prudent; and

(c) state whether applicable accounting standards have been followed.

In the case of IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

(a) properly select and apply accounting policies;

(b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(c) provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

(d) prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Independent Auditors' report to the members of Amstrad plc

We have audited the group financial statements of Amstrad plc for the year ended 30 June 2006 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 32. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the individual company financial statements of Amstrad plc for the year ended 30 June 2006.

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
The directors' responsibilities for preparing the annual report, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the group financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the directors' report is consistent with the group financial statements. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' 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 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 statement on internal control covers 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 directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements.

Consolidated Income Statement

	Notes	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Revenue	4	91,651	101,507
Cost of sales (including exceptional costs of £3.9m (2005: £5.2m))	5	(64,709)	(75,491)
Gross profit		26,942	26,016
Distribution costs		(1,438)	(1,789)
Administrative expenses		(6,567)	(5,829)
Net operating expenses		(8,005)	(7,618)
Operating profit		18,937	18,398
Finance income	6	2,067	1,206
Finance costs	7	(793)	-
Profit before taxation	8	20,211	19,604
Tax	11	(5,122)	(5,582)
Profit for the period attributable to equity shareholders		15,089	14,022
Basic earnings per share	13	18.4p	17.2p
Diluted earnings per share	13	18.2p	16.9p

Consolidated Statement of Recognised Income and Expense

	Notes	2006 £000	2005 £000
Profit for the financial year		15,089	14,022
Exchange differences on translation of foreign operations		(74)	43
Transitional adjustment on adoption of IAS39	32	570	-
Total recognised income and expense for the year		15,585	14,065

The turnover and operating results all relate to continuing operations.

Consolidated Balance Sheet

	Notes	As at 30 June 2006 £000	As at 30 June 2005 £000
Non-current assets			
Goodwill	3	685	685
Intangible assets	14	1,852	1,587
Property, plant and equipment	15	706	376
Deferred tax assets	16	377	394
		3,620	3,042
Current assets			
Inventories	17	6,129	8,731
Trade and other receivables	18	12,509	11,325
Corporation tax recoverable		433	157
Cash and cash equivalents	19	56,427	40,256
		75,498	60,469
Total assets		79,118	63,511
Current liabilities			
Bank overdrafts and loans		-	(980)
Trade and other payables	20	(11,959)	(8,121)
Corporation tax payable		(2,555)	(2,680)
Short-term provisions	22	(5,111)	(3,095)
		(19,625)	(14,876)
Non-current liabilities			
Deferred tax liabilities	21	(562)	(476)
Long-term provisions	22	(2,629)	(2,180)
		(3,191)	(2,656)
Total liabilities		(22,816)	(17,532)
Net assets		56,302	45,979
Equity attributable to equity holders of the parent			
Called up share capital	23,25	8,290	8,166
Share premium account	25	6,888	6,593
Share option reserve	24,25	153	74
Translation reserve	25	(31)	43
Capital reserve	25	3,618	3,618
Retained earnings	25	37,384	27,485
Total equity		56,302	45,979

The financial statements were approved by the Board of Directors on 28 September 2006.

Sir Alan Sugar

M.A.G. Bland
Directors

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the directors' remuneration report 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 group financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the directors' remuneration report 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 group financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 30 June 2006 and of its profit for the year then ended;

- the group financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

- the information given in the directors' report is consistent with the group financial statements.

Separate opinion in relation to IFRS

As explained in Note 1 of the group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 June 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
28 September 2006

Consolidated Cash Flow Statement

	Notes	*Year ended 30 June 2006 £000*	*Year ended 30 June 2005 £000*
Cash flow from operating activities	26		
Cash generated from operations		29,019	27,508
Tax paid		(5,661)	(5,380)
Net cash flow from operating activities		23,358	22,128
Investing activities			
Interest received		2,054	1,130
Proceeds on disposal of property, plant and equipment		6	40
Purchases of property, plant and equipment		(794)	(488)
Expenditure on product development		(2,116)	(1,107)
Net cash used in investing activities		(850)	(425)
Financing activities			
Dividends paid		(5,760)	(4,467)
(Decrease)/Increase in bank overdrafts		(980)	980
Proceeds on issue of shares		419	232
Net cash used in financing activities		(6,321)	(3,255)
Net increase in cash and cash equivalents		16,187	18,448
Cash and cash equivalents at beginning of period		40,256	21,719
Effect of foreign exchange rate changes		(16)	89
Cash and cash equivalents at end of period		56,427	40,256

Notes to the Financial Statements

1. Basis of preparation of the financial statements

Amstrad plc has historically prepared its Consolidated Financial Statements in accordance with UK Generally Accepted Accounting Practices (UK GAAP). A European Union Regulation issued in 2002 requires the Group to report its 2005/2006 results in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Commission ("EC").

The Financial Statements have been prepared in accordance with the accounting policies of the Group, which are in accordance with IFRS and those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

These Financial Statements have been prepared on a historical cost basis as modified by the revaluation of derivative instruments.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies as set out in note 2.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRS issued by the International Accounting Standards Board (IASB) and those parts of the Companies Act 1985 applicable to those companies reporting under IFRS. Since the Company is not affected by the provisions regarding portfolio hedging that are not required by the EU endorsed version of IAS 39: "Financial instruments: Recognition and Measurement", the consolidated financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB. The transition date to IFRS for the Group was 1 July 2004 (the Transition Date), being the start of the period of comparative information.

In accordance with IFRS1 ("First-time Adoption of International Financial Reporting Standards") the Group is entitled to a variety of voluntary and mandatory exemptions from full restatement which have been adopted as follows:-

i) **Business combinations**
The Group has elected not to apply IFRS3 "Business Combinations" retrospectively to any business combinations that took place before 1 July 2004.

ii) **Share based payments**
The Group has elected to apply IFRS2 "Share Based Payment" to all relevant share based payments (share options) granted after 7 November 2002 which had not vested at 1 January 2005.

iii) **Effects of changes in foreign exchange rates**
The Group has elected to apply IAS21 prospectively from the transition date rather than restating all previous translation differences as a separate component of equity. Accordingly, such translation differences prior to 1 July 2004 have not been restated and, as a result, will not be used in the calculation of any gain or loss on disposal of an overseas subsidiary.

iv) ***Financial instruments***
The Group adopted IAS32 "Financial Instruments: Disclosure and Presentation" and IAS39 "Financial Instruments: Recognition and Measurement" prospectively from 1 July 2005. As a consequence of adopting IAS32 and IAS39, the Group recognised an increase in net assets of £0.6m at 1 July 2005. A reconciliation of the position at 1 July 2005 is given in note 32.

The Amserve business is 89.8% owned by Amstrad and 10.2% owned by DSG international plc ("DSG"). Under the shareholder agreement between Amstrad and DSG, certain decisions require the approval of both parties. Under UK GAAP the business was accounted for as a subsidiary as Amstrad exercised dominant control and as such 100% of the results, assets and liabilities were consolidated in the Group Financial Statements with a one line adjustment for the minority interest. Under IFRS, the business is treated as a joint venture and 89.8% of the results, assets and liabilities have been consolidated on a line by line basis in the Group's Financial Statements. This change is purely presentational and has no effect on the Group's reported net earnings.

1. *Basis of preparation of the financial statements (continued)*
Reconciliations and a description of the effect of transition from UK GAAP to IFRS on the Group's balance sheet and net income are provided in note 31. Other than presentational differences, there are no changes in the Group's cash flows.

2. Summary of significant accounting policies
The significant accounting policies used in the preparation of these financial statements are as follows:-

a) Basis of consolidation
The Group's financial statements consolidate the financial information of Amstrad plc and its subsidiary undertakings and joint ventures.

Subsidiaries are entities over which the Group has control in terms of the power to govern the financial and operating policies of an acquired entity so as to obtain benefits from its activities.

A joint venture business is an entity over which the Group exercises joint control with another party through a contractual arrangement. The results, assets and liabilities of a joint venture entity are incorporated in the Group's financial statements on a proportional consolidation basis.

b) Goodwill
Goodwill arising on the acquisition of businesses represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. The identifiable assets and liabilities of companies acquired are incorporated in the consolidated financial statements at their fair value to the Group.

In accordance with IFRS 3 with effect from 1 July 2004 goodwill is not amortised but tested for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a business the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on consolidation prior to the year ended 30 June 1999, which represents 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 in accordance with the UK accounting standards then in force. This goodwill has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

c) Revenue recognition
Revenue, which excludes VAT, comprises invoiced sales and services less product returns. Revenue on the sale of goods is recognised when the risks and rewards in the product have passed to the customer, which is usually upon delivery to the customer. Usage revenue earned from the e-mailer phone is accrued on a daily basis.

d) Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

e) Dividends
Dividends are only recognised in the financial statements when the shareholders' rights to receive payment have been established.

f) Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal. Property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis as follows:

Tooling: up to 2 years
Fixtures, fittings, office equipment and motor vehicles: 4 years

2. Summary of significant accounting policies (continued)

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents all direct costs incurred in bringing inventories to their current condition and location. Net realisable value is assessed after taking into account any provisions for slow moving or obsolete stocks.

h) Cash and cash equivalents

Deposits are treated as cash and cash equivalents if they are repayable within three months and are subject to an insignificant risk of a change in value.

i) Taxation and deferred taxation

The tax expense represents the sum of the corporation tax currently payable and deferred tax.

The corporation tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

j) Foreign currencies

i) Transactions

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 income statement.

The Group only uses derivative contracts (i.e. forward foreign exchange currency purchases or sales) to hedge known foreign currency exposures and does not use derivative contracts for speculative purposes. The Group's derivative contracts do not qualify for hedge accounting and are valued (i.e. marked to market) at the balance sheet date and any resulting profits or losses are taken to the income statement.

ii) Embedded derivatives

Derivatives are also embedded in certain contracts to purchase components or finished product stock where the contract is in a foreign currency, normally US dollars, that is not the functional currency of either the Group or the counter-party. In this industry the purchase of components and finished product stock is normally denominated in US dollars. In these circumstances the foreign currency element of the contract is valued (i.e. marked to market) at the balance sheet date and any gains or losses are included in the income statement.

2. Summary of significant accounting policies (continued)

j) Foreign currencies (continued)

iii) Overseas subsidiary

The balance sheet of the Group's overseas subsidiary is translated into Sterling at the rate of exchange ruling at the balance sheet date. The results of the overseas subsidiary are translated into Sterling at average month end rates. The difference between the income statement of the foreign subsidiary translated at the average exchange rate and the closing exchange rate is recorded as part of the Group's translation reserve.

Exchange differences arising on the translation of the opening net assets of the overseas subsidiary are also recorded as part of the Group's translation reserve. When a foreign subsidiary is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

k) Research and development

Development costs, both internal and external, associated with the production of saleable products, are capitalised as an intangible asset where an asset is created which can be identified, it is probable that the asset will generate future economic benefits and where the development cost can be measured reliably. The asset is then amortised on a straight line basis over the expected sales period for the product, on a product type by product type basis. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure, if any, on research activities is recognised as an expense in the period in which it is incurred.

l) 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.

m) Share based payments

The Group from time to time grants equity settled share based payments ("share options") to certain directors and staff. Share options are measured at fair value at the date of grant. The fair value of share options granted since 7 November 2002 is calculated by the Group using the Black-Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of the share option award to the date of vesting, based on the Group's best estimate of the shares that will eventually vest.

n) Critical accounting estimates and judgements

The preparation of financial statements in conforming with generally accepted accounting principles requires the directors to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to warranty and royalty provisions.

The Group offers a warranty of between one year and thirty months on its products. A warranty provision is made on every unit sold to cover the forecast cost of repairing units that fail within their warranty period. The amount that is provided per unit is an estimate and is normally based on past experience. Adjustments are made to the warranty provisions in light of product returns experience.

The owners of patents covering technology used by the Group have indicated claims for royalties relating to the Group's current and past use of that technology. The directors accordingly make a provision for potential royalties payable based on the latest information available.

3. 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. Up until 30 June 2004 this was being amortised. In accordance with IFRS3, with effect from 1 July 2004 goodwill is not amortised but tested for impairment at least annually. Any impairment is recognised immediately in the income statements and is not subsequently reversed. The recoverable amount of the business is determined based on calculating its value in use. This value in use is calculated by applying discounted cash flow modelling to management's own projections for the next five years. The value in use is compared with the carrying value in order to determine whether impairment has taken place. The amount of goodwill held on the balance sheet at 30 June 2004, 30 June 2005 and 30 June 2006 was £685,000.

4. *Business segments*

For management purposes, the Group is currently organised into two operating divisions, the Amstrad business division and the Amserve business division. These divisions are the basis on which the Group reports its primary segment information as below.

	Year ended 30 June 2006 £000	*Year ended 30 June 2005 £000*
a) Profit and loss information		
Revenue:		
Amstrad	83,684	92,598
Amserve	7,967	8,909
	91,651	101,507
Pre-tax profit/(loss):		
Amstrad	14,807	22,886
Amserve	5,404	(3,282)
	20,211	19,604

	30 June 2006 £000	*30 June 2005 £000*
b) Balance sheet information		
Assets:		
Amstrad	76,368	60,550
Amserve	8,105	6,045
	84,473	66,595
Less intra-group balances	(5,355)	(3,084)
	79,118	63,511
Liabilities:		
Amstrad	26,053	16,825
Amserve	2,118	3,791
	28,171	20,616
Less intra-group balances	(5,355)	(3,084)
	22,816	17,532
Net assets:		
Amstrad	50,315	43,725
Amserve	5,987	2,254
	56,302	45,979

4. Business segments (continued)

c) Other information

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Additions to property, plant and equipment:		
Amstrad	821	488
Amserve	-	-
	821	488
Additions to intangible assets:		
Amstrad	2,116	1,107
Amserve	-	-
	2,116	1,107
Amortisation expense:		
Amstrad	1,851	417
Amserve	-	732
	1,851	1,149
Depreciation expense:		
Amstrad	455	578
Amserve	2	5
	457	583

The Directors regard the Group's secondary segment as being the geographic destination of its products. All of Amserve's revenues are earned in the UK.

An analysis of revenue by geographical destination is as follows:-

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
United Kingdom	63,983	66,389
Italy	18,297	24,490
North America	6,814	7,277
Other Mainland European Countries	1,830	2,827
Other Countries	727	524
	91,651	101,507

The Directors do not consider it feasible to disclose other financial information by geographic destination.

5. *Exceptional costs*

Costs of £3.9m relate to the exceptional warranty charge outlined in note 22. In the year ended 30 June 2005 exceptional costs of £5.2m related to the write-down of the book value of e-mailer stocks to their anticipated net realisable value. There was no such write-down in the year ended 30 June 2006.

6. Finance income

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Bank interest receivable	2,067	1,206

7. Finance costs

	Year ended 30 June 2006 £000	*Year ended 30 June 2005 £000*
Mark to market losses on financial derivatives	(793)	-

8. Profit on ordinary activities before taxation

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

	Year ended 30 June 2006 £000	*Year ended 30 June 2005 £000*
Cost of inventories recognised as an expense in the year	59,345	65,613
Inventory write downs	-	5,160
Depreciation of owned property, plant and equipment	457	583
Profit on sale of property, plant and equipment	(3)	(17)
Research and development costs:		
Amortised	1,851	1,149
Expensed as incurred	846	1,345
Operating leases: land and buildings	248	192
Auditors' remuneration - audit	85	71
Auditors' remuneration - interim review	14	10
Auditors' remuneration - taxation compliance work	54	57
Auditors' remuneration - taxation advisory work	8	24
Auditors' remuneration - other services	45	5
Directors' emoluments	1,321	1,158
Staff costs (note 10)	5,305	4,617
Costs incurred on settlement of share based payments	79	56

The Group's expenditure above on auditors' remuneration for audit work amounted to £85,000 (2005: £71,000) and included £57,000 (2005: £44,000) relating to the Company's audit. "Auditors' remuneration – other services" principally related to accountancy advice on the implementation of IFRS.

9. Emoluments of directors

Details of directors' emoluments and directors' share options are included in the Report of the Board on Directors' Remuneration on pages 11 to 14. 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".

10. 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 2006 No.	*Year ended 30 June 2005 No.*
Administration	23	24
Sales and marketing	6	6
Warehousing, service and distribution	3	3
Technical and product management	56	52
	88	85

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2006 £000	*Year ended 30 June 2005 £000*
Wages and salaries, including bonuses	4,810	4,190
Social security costs	495	427
	5,305	4,617

11. Tax charge on profit on ordinary activities

	Year ended 30 June 2006 £000	*Year ended 30 June 2005 £000*
Tax based on the profit on ordinary activities for the year:		
UK Corporation tax at 30% (2005: 30%)	(5,610)	(5,605)
Tax group relieved with minority interest	-	(94)
Adjustments in respect of prior periods	453	220
Overseas tax	(106)	(140)
Current tax charge	(5,263)	(5,619)
Deferred tax credit	141	37
	(5,122)	(5,582)

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% (2005: 30%) as explained below:

	Year ended 30 June 2006 £000	*Year ended 30 June 2005 £000*
Tax on profit at UK rate of 30% (2005: 30%)	(6,063)	(5,881)
Effects of:		
Non-deductible charges	(21)	(27)
Research and development tax credit	100	140
Movement in deferred tax asset not recognised	(14)	(24)
Adjustments in respect of prior periods	427	203
Share based payments	445	-
Other	4	7
Tax charge	(5,122)	(5,582)

12. Dividends

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Final dividend for 2003/2004 of 3.5p	-	2,835
Interim dividend for 2004/2005 of 2.0p	-	1,632
Final dividend for 2004/2005 of 4.5p	3,691	-
Interim dividend for 2005/2006 of 2.5p	2,069	-
	5,760	4,467

The directors propose a final dividend for 2005/2006 of 4.5p and a special dividend of 32p. In accordance with IAS10 as these dividends are subject to approval by the shareholders at the Annual General Meeting they are not reflected in these financial statements.

13. 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 £15,089,000 (2005: £14,022,000) and on the average number of shares in issue during the year of 81,882,525 (2005: 81,439,848). Diluted earnings per share is based on the same earnings figure as above and 82,721,670 (2005: 82,998,887) 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.

14. Intangible assets

	Development expenditure 30 June 2006 £000	Development expenditure 30 June 2005 £000
Cost		
At 1 July	2,736	1,629
Additions	2,116	1,107
Disposals	(1,381)	-
At 30 June	3,471	2,736
Amortisation		
At 1 July	1,149	-
Charge for the year	1,851	1,149
Disposals	(1,381)	
At 30 June	1,619	1,149
Net book value		
At 30 June	1,852	1,587

15. Property, plant and equipment

	Fixtures, fittings, tools and equipment 30 June 2006 £000	*Fixtures, fittings, tools and equipment 30 June 2005 £000*
Cost		
At 1 July	2,147	2,151
Exchange adjustment	(19)	10
Additions	794	488
Disposals	(14)	(502)
At 30 June	2,908	2,147
Depreciation		
At 1 July	1,771	1,657
Exchange adjustment	(15)	10
Charge for the year	457	583
Disposals	(11)	(479)
At 30 June	2,202	1,771
Net book value		
At 30 June 2006	706	376

16. Deferred tax assets

	30 June 2006 £000	*30 June 2005 £000*
Accelerated tax depreciation	184	244
Share based payments	46	22
Other short term timing differences	147	128
	377	394

Movement on deferred tax assets:

	30 June 2006 £000	*30 June 2005 £000*
At 1 July	394	370
IAS 39 adjustment (see note 32)	133	-
	527	370
(Charge)/Credit to the income statement:		
Accelerated tax depreciation	(60)	(17)
Share based payments	24	17
Other short term timing differences	19	24
Derivative financial instruments timing differences	(133)	-
At 30 June	377	394

17. Inventories

	30 June 2006 £000	30 June 2005 £000
Finished goods and goods for resale	5,419	8,133
Raw materials and consumables	710	598
	6,129	8,731

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

18. Trade and other receivables

	30 June 2006 £000	30 June 2005 £000
Trade debtors	8,013	4,567
Amounts owed from minority interest	-	246
Other debtors	1,841	4,577
Derivative financial instruments	86	-
Prepayments and accrued income	2,251	1,935
Other taxes	318	-
	12,509	11,325

The average credit period taken on sales is 40 days (2005: 41 days). No interest is charged on the debtors. Trade debtors principally represent balances owed by two major broadcasting customers. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

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

19. Cash and cash equivalents

	30 June 2006 £000	30 June 2005 £000
Cash	19,513	17,541
Money market deposits	36,914	22,715
	56,427	40,256

Deposits are treated as cash if they are repayable on demand without notice and without penalties 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 money market deposits. The credit risk on cash and cash equivalents is limited because the counter parties are banks with high credit ratings assigned by International credit rating agencies. The carrying value of the assets approximates to their fair value.

20. Trade and other payables

	30 June 2006 £000	30 June 2005 £000
Trade creditors	4,565	3,500
Amounts owed to minority interest	605	-
Group relief with minority interest	-	86
Other taxes and social security	1,551	853
Accruals and deferred income	5,173	3,682
Derivative financial instruments	65	-
	11,959	8,121

Trade creditors represents amounts outstanding for trade purchases. The average credit period taken for trade purchases is 27 days (2005: 18 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

21. Deferred tax liabilities

	30 June 2006 £000	30 June 2005 £000
Deferred development costs	556	476
Derivative financial instruments timing differences	6	-
	562	476

Movement on deferred tax liabilities:

	30 June 2006 £000	30 June 2005 £000
At 1 July	476	489
IAS39 adjustment (see note 32)	377	-
Revised balance at 1 July	853	489
Charge/(credit) to the profit and loss account:		
Deferred development costs	80	-
Derivative financial instruments timing differences	(371)	(13)
At 30 June	562	476

22. Provisions for liabilities and charges

Provisions, which are in respect of goods returned under warranty and royalty claims, were as follows:-

	Warranty £000	*Royalties* £000	*Total* £000
At 1 July 2005	4,463	812	5,275
Provided in the year	6,635	468	7,103
Released in the year	(1,962)	-	(1,962)
Utilised in the year	(2,676)	-	(2,676)
At 30 June 2006	6,460	1,280	7,740
Included in current liabilities	5,111	-	5,111
Included in non-current liabilities	1,349	1,280	2,629
	6,460	1,280	7,740

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

22. Provisions for liabilities and charges (continued)

A warranty provision is made on every unit sold to cover the forecast costs of repairing units that fail within their warranty period. The amount that is provided per unit is an estimate and is normally based on past experience. Adjustments are made to the warranty provisions in light of product returns experience. In the year to 30 June 2006 provisions of £2.0m (2005: £nil) were released in relation to mature products approaching the end of their warranty periods. The amount provided in the year includes an exceptional charge of £3.9m (2005: £nil) in relation to the failure of a specific component on one product type. The assessment of the provision needed to cover this component is subject to some uncertainty over the total number of units affected and has been based on experience to date. Any adjustment to this initial estimate based on future experience will be recorded in the relevant period.

The owners of patents covering technology used by the Group have indicated claims for royalties relating to the Groups current and past use of that technology. The directors have accordingly made a provision for potential royalties payable based on the latest information available.

23. Called up share capital

	30 June 2006		*30 June 2005*	
	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	82,900,959	8,290	81,656,836	8,166

During the year 1,244,123 shares were issued in respect of share options exercised for a total consideration of £419,703.

24. Share based payments

Options over ordinary shares are granted under the Company's 1997 Performance Related Share Option Scheme. Options are exercisable at a price equal to the closing quoted market price of the Company's shares on the day prior to the date of grant. The vesting period is 3 years provided the performance conditions are met. If the options remain unexercised after a period of 10 years for HMRC Approved options or 7 years for Un-approved options from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year:

	30 June 2006		*30 June 2005*	
	Number of share options	*Weighted average exercise price (p)*	*Number of share options*	*Weighted average exercise price (p)*
Outstanding at beginning of period	2,167,823	66.4	2,885,823	60.8
Granted during the period	225,000	123.7	25,000	188.5
Forfeited during the period	(10,000)	30.0	(100,000)	131.2
Exercised during the period	(1,244,123)	33.7	(643,000)	36.0
Outstanding at the end of the period	1,138,700	113.7	2,167,823	66.4
Exercisable at the end of the period	638,700	90.3	997,823	77.4

The weighted average share price at the date of exercise for share options exercised during the period was 153.1p. The options outstanding at 30 June 2006 had a weighted average exercise price of 113.7p and a weighted average remaining contractual life of 5 years. In the year ended 30 June 2006 options were granted on 20 October 2005. The aggregate of the estimated fair values of the options granted on that date was £93,866. In the year ended 30 June 2005 options were granted on 4 November 2004 and the aggregate of the estimated fair values of the options granted on that date was £14,517.

24. Share based payments (continued)

Inputs into the Black-Scholes model:

	30 June 2006	*30 June 2005*
Weighted average share price (p)	126.0	185.0
Weighted average exercise price (p)	123.7	188.5
Expected volatility	50%	50%
Expected life (years)	3.5	3.5
Risk free rate	4.6%	5.1%
Expected annual dividend yield	3.5%	4.2%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group recognised a total charge to the Income Statement of £79,051 (2005: £56,176) in relation to equity-settled share-based payment transactions.

The following options to subscribe for shares have been granted and were outstanding at 30 June 2006 under the Company's 1997 Performance Related Share Option Scheme:-

Date of grant	*Number of shares*	*Option price*	*Exercisable from*	*Exercisable to*
19 December, 1997	10,000	31.0p	19.12.00	19.12.07
5 October, 1998	48,600	30.0p	05.10.01	05.10.08
20 October, 1999	23,397	106.0p	20.10.02	20.10.06
20 October, 1999	44,103	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	63,700	59.0p	27.03.04	27.03.11
20 March, 2002	41,900	42.5p	20.03.05	20.03.12
23 October, 2002	150,000	26.5p	23.10.05	23.10.09
23 October, 2002	87,000	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
20 October, 2005	31,064	123.7p	20.10.08	20.10.12
20 October, 2005	193,936	123.7p	20.10.08	20.10.15

Details of directors' share options are disclosed in the Report of the Board on Directors' Remuneration on pages 11 to 14.

25. Consolidated statement of changes in equity

	Called up Share Capital £000	*Share Premium Account £000*	*Share Option Reserve £000*	*Translation Reserve £000*	*Capital Reserve £000*	*Retained Earnings £000*	*Total £000*
Balance at 1 July 2005 pre IAS39 adjustment	8,166	6,593	74	43	3,618	27,485	45,979
IAS39 adjustment	-	-	-	-	-	570	570
Revised balance at 1 July 2005	8,166	6,593	74	43	3,618	28,055	46,549
Profit for the financial year	-	-	-	-	-	15,089	15,089
Recognised directly in equity:							
Dividends	-	-	-	-	-	(5,760)	(5,760)
Exercise of equity share options	124	295	-	-	-	-	419
Provision for share based payments	-	-	79	-	-	-	79
Currency translation differences on foreign currency net investments	-	-	-	(74)	-	-	(74)
Balance at 30 June 2006	8,290	6,888	153	(31)	3,618	37,384	56,302

The share premium account records the consideration premium for shares issued at a value that exceeds their nominal value.

The share option reserve represents the fair value of share options granted as outlined in note 24.

The translation reserve is used to record exchange differences arising from translation of the financial statements of the Group's overseas subsidiary.

The capital reserve arose in 1999 and 2000 in relation to corporate restructuring.

26. Net cash inflow from operating activities

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Operating profit	18,937	18,398
Increase in share option reserve	79	56
Exchange translation differences	(6)	(71)
Amortisation of product development	1,851	1,149
Depreciation	457	583
Profit on sale of tangible fixed assets	(3)	(17)
Decrease in inventories	2,602	190
(Increase)/Decrease in debtors	(1,239)	10,976
Increase/(Decrease) in creditors	3,876	(6,696)
Increase in provisions	2,465	2,940
Net cash inflow from operating activities	29,019	27,508

27. Analysis cash and cash equivalents

	At 1 July 2005 £000	Cash Flow £000	Exchange Movement £000	At 30 June 2006 £000
Cash	17,541	1,988	(16)	19,513
Money market deposits	22,715	14,199	-	36,914
	40,256	16,187	(16)	56,427

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 money market deposits.

28. 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 has no borrowings.

The Group also enters into currency 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 2005.

(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 2006 has been to ensure that it has adequate liquidity by the use of documentary letters of credit and the Group's cash resources.

28. Financial instruments (continued)

(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 progressively purchasing the currency forward once 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 was as follows:

	30 June 2006 £000	*30 June 2005 £000*
Sterling deposits	50,565	39,692
US Dollar deposits	4,386	498
Other Currency deposits	1,476	66
US Dollar overdraft	-	(980)
	56,427	39,276

The cash deposits which all have a maturity date of less than three months were all at fixed rates of interest. As at 30 June 2006 the Group had an unsecured overdraft facility of £2.8m (2005: £2.9m) which is renewable annually on 31 December. An amount of £nil (2005: £1.0m) was utilised under this facility as at 30 June 2006.

As at 30 June 2006 the Group had a net US dollar exposure comprising 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 2006 the net US dollar asset was £1.0m (2005: £0.8m asset) and the net Euro asset was £1.5m (2005: £nil). As at 30 June 2006 there were no material differences between the book values and fair values of the Group's financial assets and liabilities.

Currency Derivatives

The Group utilises currency derivatives (forward currency contracts) to manage the currency exposure that arise on purchases denominated in foreign currencies (mainly US dollars) and from sales in foreign currencies (mainly euros).

At the balance sheet date, the total notional amount of outstanding foreign exchange contracts that the Group has committed to are as below:-

	30 June 2006 £000	*30 June 2005 £000*
Forward foreign exchange contracts	2,768	5,249

As at 30 June 2006, the fair value (based on balance sheet date exchange rates) was estimated to be £2,703,000 (2005: £6,505,000).

The Group's derivative contracts do not qualify for hedge accounting and are valued (i.e. marked to market) at the balance sheet date and any resulting profit or losses are taken to the income statement.

29. Financial commitments

(a) Capital commitments

At 30 June 2006 there was no capital expenditure contracted for but not provided in these financial statements (2005: £nil). There were no other contracted commitments, other than those provided in the financial statements (2005: £nil).

(b) Operating lease commitments

At 30 June 2006 the Group had commitments under operating leases relating to land and buildings. The rent payable under these leases is as follows:

	30 June 2006 £000	*30 June 2005 £000*
Within one year	248	248
Between two and five years inclusive	727	975
	975	1,223

30. 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 Group 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 £248,000 (2005: £183,000) was paid to Amsprop. As at 30 June 2006 the Group owed rent to Amsprop of £nil (2005: £nil).

During the year the Group purchased from Viglen Limited ("Viglen"), a company controlled by Sir Alan Sugar, computer equipment and services with a total value of £15,256 (2005: £12,490). As at 30 June 2006 the Group owed Viglen £740 (2005: £1,286).

During the year the Group charged £2,260 (2005: £nil) to Amsair Executive Aviation Limited, a subsidiary of Amsair Limited, a company controlled by Sir Alan Sugar, for IT support services supplied during the year. As at 30 June 2006 Amsair Executive Aviation Limited owed the Company £1,551 (2005: £nil).

During the year £nil (2005: £50,874) 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.

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 19 May 2005 for the purchase from Tottenham of advertising and box hire relating to the 2005/2006 football season, for a total consideration of £34,900. On 23 May 2006 a new one year contract was agreed for the 2006/2007 football season for a total consideration of £39,000. As at 30 June 2006 the Group owed Tottenham £nil (2005: £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 disclosed in note 3, DSG international plc ("DSG") owns 10.2% of Amserve limited. In the year ended 30 June 2006 the Group made sales of £261,000 (2005: £737,000) to DSG. As at 30 June 2006 the Group owed DSG £1,000 (2005: £25,000) in relation to the sale of e-mailers to DSG.

31. Explanation of transition to IFRS

The differences between UK GAAP and IFRS are outlined below in the reconciliation of the Group balance sheets at 1 July 2004 and 30 June 2005 and in the reconciliations of net profit for the year to 30 June 2005.

The following represents the differences relevant to the Group of moving from UK GAAP to IFRS:

a) **Goodwill**
Under IFRS3, Goodwill is not amortised but instead is subject to an annual impairment review. An adjustment has been made to remove the goodwill amortisation charge under UK GAAP.

b) **Development expenditure**
Under UK GAAP all development expenditure was expensed as incurred. In accordance with IAS38, costs incurred on product development are capitalised as an intangible asset where the asset created can be identified and it is probable that the asset will generate future economic benefits and the development cost can be measured reliably. Capitalised development expenditure is amortised over its expected useful life.

c) **Dividends**
Under IAS10 dividends are not recognised as a liability until they are appropriately approved and are no longer at the discretion of the directors. Accordingly the 2004/2005 proposed dividend under UK GAAP is removed from the year ended 30 June 2005 IFRS accounts.

d) **Share-based payments (share option schemes)**
Under UK GAAP, there is no charge to the income statement for share option schemes. In accordance with IFRS2, the Group now recognises a charge to the income statement which represents the fair value of outstanding share options. The fair value is determined by using the Black-Scholes option pricing model. The charge is recognised in the income statement over the vesting period, reflecting the expected levels of vesting. This applies to options granted after 7 November 2002 which had not vested at 1 January 2005.

e) **Translation reserve**
Under IAS21 foreign exchange differences on the translation of opening net assets need to be included in a separate translation reserve rather than being included in retained profits.

f) **Consolidation of Amserve**
Under UK GAAP the Amserve business was accounted for as a subsidiary and as such 100% of the results, assets and liabilities was consolidated into the Group's Financial Statements with a one line adjustment for the minority interest. Under IAS31 the business is treated as a joint venture and 89.8% of the results, assets and liabilities have been consolidated on a line-by-line basis in the Group's Financial Statements.

g) **Balance sheet reclassifications**
To comply with IAS1 provisions have been reclassified into amounts falling due within one year and amounts falling due after more than one year.

Deferred tax assets have been reclassified as non-current assets. Deferred tax liabilities are now presented separately and split between current and non-current.

31. Explanation of transition to IFRS (continued)

Reconciliation of the consolidated balance sheet at 1 July 2004 (date of transition to IFRS)

	Notes	*UK GAAP £000*	*Effects of transition to IFRS £000*	*IFRS £000*
Non-current assets				
Goodwill	a	685	-	685
Intangible assets	b	-	1,629	1,629
Property, plant and equipment	f	495	(1)	494
Deferred tax assets		-	370	370
		1,180	1,998	3,178
Current assets				
Inventories	f	9,378	(457)	8,921
Trade and other receivables	f	22,182	(49)	22,133
Corporation tax recoverable	f	465	(368)	97
Cash and cash equivalents	f	21,767	(48)	21,719
		53,792	(922)	52,870
Current liabilities				
Trade and other payables	c, f	(17,629)	2,962	(14,667)
Corporation tax payable	f	(2,490)	25	(2,465)
Short-term provisions	f, g	-	(1,458)	(1,458)
		(20,119)	1,529	(18,590)
Net current assets		33,673	607	34,280
Non-current liabilities				
Deferred tax liabilities		-	(489)	(489)
Long-term provisions	f, g	(2,377)	1,500	(877)
		(2,377)	1,011	(1,366)
Net assets		32,476	3,616	36,092
Equity				
Called up share capital		8,101	-	8,101
Share premium account		6,426	-	6,426
Share option reserve	d	-	18	18
Capital reserve		3,618	-	3,618
Retained earnings	b, c, d	13,967	3,962	17,929
Minority interest	f	364	(364)	-
Total equity		32,476	3,616	36,092

31. Explanation of transition to IFRS (continued)

Reconciliation of profit for the year ended 30 June 2005

	Notes	*UK GAAP £000*	*Effects of transition to IFRS £000*	*IFRS £000*
Revenue	f	102,513	(1,006)	101,507
Cost of sales	f	(76,476)	985	(75,491)
Gross profit		26,037	(21)	26,016
Net operating expenses	a,b,d,f	(8,133)	515	(7,618)
Operating profit		17,904	494	18,398
Net finance income	f	1,206	-	1,206
Profit before taxation		19,110	494	19,604
Tax	b, d, f	(5,510)	(72)	(5,582)
Profit for the period		13,600	422	14,022
Minority interest	f	187	(187)	-
Profit for the period attributable to equity shareholders		13,787	235	14,022
Basic earnings per share		16.9p	0.3p	17.2p
Diluted earnings per share		16.6p	0.3p	16.9p

31. Explanation of transition to IFRS (continued)

Reconciliation of the consolidated balance sheet at 30 June 2005

	Notes	*UK GAAP £000*	*Effects of transition to IFRS £000*	*IFRS £000*
Non-current assets				
Goodwill	a	381	304	685
Intangible assets	b	-	1,587	1,587
Property, plant and equipment	f	377	(1)	376
Deferred tax assets		-	394	394
		758	2,284	3,042
Current assets				
Inventories	f	8,899	(168)	8,731
Trade and other receivables	f	11,284	41	11,325
Corporation tax recoverable	f	549	(392)	157
Cash and cash equivalents	f	40,374	(118)	40,256
		61,106	(637)	60,469
Current liabilities				
Bank overdrafts and loans		(980)	-	(980)
Trade and other payables	c, f	(11,859)	3,738	(8,121)
Corporation tax payable	f	(2,680)	-	(2,680)
Short-term provisions	f, g	-	(3,095)	(3,095)
		(15,519)	643	(14,876)
Net current assets		45,587	6	45,593
Non-current liabilities				
Deferred tax liabilities		-	(476)	(476)
Long-term provisions	f, g	(5,301)	3,121	(2,180)
		(5,301)	2,645	(2,656)
Net assets		41,044	4,935	45,979
Equity				
Called up share capital		8,166	-	8,166
Share premium account		6,593	-	6,593
Share option reserve	d	-	74	74
Translation reserve	e	-	43	43
Capital reserve		3,618	-	3,618
Retained earnings	a,b,c,d,e	22,490	4,995	27,485
Minority interest	f	177	(177)	-
Total equity		41,044	4,935	45,979

32. Transitional adjustment on first time adoption of IAS32 and IAS39

The Group hedges its foreign currency exposure on the purchase of inventories through the use of foreign currency derivatives (forward foreign currency contracts). Under UK GAAP foreign currency derivatives were held off balance sheet. Under IAS32 and IAS39 derivative contracts are valued ("marked to market") at the balance sheet date and any resulting gains or losses are taken to the income statement.

Derivatives are also embedded in certain contracts to purchase components or finished product stock where the contract is in a foreign currency that is not the functional currency of either the Group or the other party. In these circumstances the foreign currency element of the contract is valued ("marked to market") at the balance sheet date and any gains or losses are included in the income statement.

The Group has taken the option within IFRS1 to defer implementation of IAS32 and IAS39 until the year ending 30 June 2006. A reconciliation has therefore been provided below of the impact on the opening balance for this period (1 July 2005).

Adjustments to opening balance sheet at 1 July 2005 arising from adoption of IAS32 and IAS39

	Opening balance sheet under IFRS £000	*Effects of IAS32 and IAS39 £000*	*Opening balance sheet restated £000*
Non-current assets			
Goodwill	685	-	685
Intangible assets	1,587	-	1,587
Property, plant and equipment	376	-	376
Deferred tax assets	394	133	527
	3,042	133	3,175
Current assets			
Inventories	8,731	-	8,731
Trade and other receivables	11,325	1,256	12,581
Corporation tax recoverable	157	-	157
Cash and cash equivalents	40,256	-	40,256
	60,469	1,256	61,725
Current liabilities			
Bank overdrafts and loans	(980)	-	(980)
Trade and other payables	(8,121)	(442)	(8,563)
Corporation tax payable	(2,680)	-	(2,680)
Short-term provisions	(3,095)	-	(3,095)
	(14,876)	(442)	(15,318)
Net current assets	45,593	814	46,407
Non-current liabilities			
Deferred tax liabilities	(476)	(377)	(853)
Long-term provisions	(2,180)	-	(2,180)
	(2,656)	(377)	(3,033)
Net assets	45,979	570	46,549
Equity			
Called up share capital	8,166	-	8,166
Share premium account	6,593	-	6,593
Share option reserve	74	-	74
Translation reserve	43	-	43
Capital reserve	3,618	-	3,618
Retained earnings	27,485	570	28,055
Total equity	45,979	570	46,549

Independent auditors' report to the members of Amstrad plc

We have audited the individual company financial statements of Amstrad plc for the year ended 30 June 2006 which comprise the balance sheet and the related notes 33 to 44. These individual company financial statements have been prepared under the accounting policies set out therein.

The corporate governance statement and the directors' remuneration report are included in the group annual report of Amstrad plc for the year ended 30 June 2006. We have reported separately on the group financial statements of Amstrad plc for the year ended 30 June 2006 and on the information in the directors' remuneration report 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
The directors' responsibilities for preparing the annual report and the individual company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the individual company financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual company financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the individual company financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the individual company financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual company financial statements.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the individual company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered *necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual* company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual company financial statements.

Opinion
In our opinion:

- *the individual company financial statements give a true and fair view, in accordance with United* Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2006;

- the individual company financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
28 September 2006

Company Balance Sheet

	Notes	As at 30 June 2006 £000	As at 30 June 2005 (restated for FRS21 see note 43) £000
Fixed assets			
Tangible assets	35	601	258
Investments	36	11,505	11,505
		12,106	11,763
Current assets			
Stocks	37	168	-
Debtors	38	11,380	11,822
Cash at bank and in hand	39	55,909	38,669
		67,457	50,491
Creditors: amounts falling due within one year	41	(21,025)	(30,865)
Net current assets		46,432	19,626
Total assets less current liabilities		58,538	31,389
Provisions for liabilities	42	(7,740)	(5,044)
Total net assets		50,798	26,345
Called up share capital	23	8,290	8,166
Share premium account	43	6,888	6,593
Capital reserve	43	1,198	1,198
Profit and loss account	43	34,422	10,388
Equity shareholders' funds		50,798	26,345

The financial statements were approved by the Board of Directors on 28 September 2006.

Sir Alan Sugar

M.A.G. Bland
Directors

33. *Principal accounting policies*

(a) Basis of accounting

The Company financial statements are prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom accounting standards. The accounting policies have been consistently applied in the current and previous year, other than for the adoption of FRS21, as disclosed in note 43.

(b) Turnover

Turnover is recognised when the Company obtains the rights to consideration in exchange for its performance. Turnover comprises invoiced sales and services less returns and VAT.

(c) Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated deprecation and, where appropriate, provision for impairment in value or estimated loss on disposal. Property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis as follows:

Tooling: up to 2 years
Fixtures, fittings, office equipment and motor vehicles: 4 years

(d) Investments

Investments are included at cost less amounts written off to reflect an impairment in value.

(e) 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.

(f) Stocks

Stocks are stated at the lower of the cost and net realisable value. Cost represents all direct costs incurred in bringing stocks to their current condition and location. Net realisable value is assessed after taking into account any provisions for slow moving or obsolete stocks.

(g) Taxation and deferred taxation

The tax expense represents the sum of the corporation tax currently payable and deferred tax.

The corporation tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

33. Principal accounting policies (continued)

(h) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction except where a transaction is covered by a related or matching forward contract in which case the rate of exchange specified in the contract is used. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, or where appropriate the rate of exchange specified in a related or forward contract, and the gains and losses on translation are included in the profit and loss account.

(i) 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.

34. 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 £29.8 million (2005: £2.2 million).

35. Tangible assets

	Fixtures, fittings, tools and equipment £000
Cost	
At 1 July 2005	1,603
Additions	664
Disposals	(41)
At 30 June 2006	2,226
Depreciation	
At 1 July 2005	1,345
Charge for the year	291
Disposals	(11)
At 30 June 2006	1,625
Net book value	
At 30 June 2006	601
At 30 June 2005	258

36. Investments

Investments at 30 June 2006 of £11,505,000 (2005: £11,505,000) comprise shares in subsidiary undertakings at cost of £19,306,000 (2005: £19,306,000) less provisions of £7,801,000 (2005: £7,801,000). The following information relates to the Company's principal undertakings which are all engaged in the Company's principal activity:

Name of Subsidiary	*Company's Percentage of allotted equity owned*	*Country of incorporation*
Amserve Limited	89.8%	United Kingdom
Amstrad Satellite Products Limited	100.0%	United Kingdom
Integra Electronics Limited	100.0%	United Kingdom
Amstrad International Limited	100.0%	Hong Kong

37. Stocks

	30 June 2006 £000	30 June 2005 £000
Finished goods and goods for resale	46	-
Raw materials and consumables	122	-
	168	-

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

38. Debtors

	30 June 2006 £000	30 June 2005 £000
Trade debtors	7,224	4,100
Amounts owed from subsidiary undertakings	685	2,428
Other debtors	1,842	4,589
Other taxes	318	-
Prepayments and accrued income	448	370
Corporation tax receivable	17	-
Group relief receivable	669	66
Deferred tax asset (see note 39)	177	269
	11,380	11,822

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

39. Deferred tax asset

	30 June 2006 £000	30 June 2005 £000
Fixed asset timing differences	176	234
Other short term timing differences	1	35
	177	269

Movement on deferred tax asset:	*Year ended 30 June 2006 £000*	*Year ended 30 June 2005 £000*
At 1 July	269	269
Charge to the profit and loss account	(92)	-
At 30 June	177	269

40. Cash at bank and in hand

	30 June 2006 £000	*30 June 2005 £000*
Cash	18,995	16,402
Liquid resources	36,914	22,267
	55,909	38,669

Deposits are treated as cash if they are repayable on demand without notice and without penalties 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.

41. Creditors amounts falling due within one year

	30 June 2006 £000	*30 June 2005 (restated) £000*
Bank overdraft	-	980
Trade creditors	3,650	3,095
Amounts owed to subsidiary undertakings	11,696	23,541
Corporation tax payable	-	38
Other taxes and social security	1,283	588
Accruals and deferred income	4,396	2;623
	21,025	30,865

42. Provisions for liabilities

Provisions, which are in respect of goods returned under warranty and royalties, were as follows:-

	Warranty £000	*Royalties £000*	*Total £000*
At 1 July 2005	4,232	812	5,044
Provided in the year	6,629	468	7,097
Released in the year	(1,869)	-	(1,869)
Utilised in the year	(2,532)	-	(2,532)
At 30 June 2006	6,460	1,280	7,740

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

A warranty provision is made on every unit sold to cover the forecast costs of repairing units that fail within their warranty period. The amount that is provided per unit is an estimate and is normally based on past experience. Adjustments are made to the warranty provisions in light of product returns experience. In the year to 30 June 2006 provisions of £2.0m (2005: £nil) were released in relation to mature products approaching the end of their warranty periods. The amount provided in the year includes an exceptional charge of £3.9m (2005: £nil) in relation to the failure of a specific component on one product type. The assessment of the provision needed to cover this batch is subject to some uncertainty over the total number of units affected and has been based on experience to date. Any adjustment to this initial estimate based on future experience will be recorded in the relevant period.

The owners of patents covering technology used by the Group have indicated claims for royalties relating to the Groups current and past use of that technology. The directors have accordingly made a provision for potential royalties payable based on the latest information available.

43. Share premium account and reserves

	Share premium account £000	*Capital reserve £000*	*Profit and loss account £000*	*Total £000*
At 1 July 2005	6,593	1,198	6,713	14,504
Restatement for dividend (note 44)	-	-	3,675	3,675
At 1 July 2005 *(restated)*	6,593	1,198	10,388	18,179
Premium on shares issued during the year	295	-	-	295
Profit retained for the financial year	-	-	24,034	24,034
At 30 June 2006	6,888	1,198	34,422	42,508

44. Impact of restatement

FRS21 requires that dividends are only included in the Financial Statements once they have been approved and therefore the final dividend for 2004/2005 has been excluded from the 30 June 2005 balance sheet which has been restated in accordance with FRS21 "Events after the balance sheet date". The impact is as follows:-

	UK GAAP as previously reported £000	*Impact of prior year adjustment £000*	*UK GAAP as restated £000*
Fixed assets	11,763	-	11,763
Current assets	50,491	-	50,491
Creditors: amounts falling due within one year	(34,540)	3,675	(30,865)
Provision for liabilities	(5,044)	-	(5,044)
Total net assets	22,670	3,675	26,345
Shareholders' funds	22,670	3,675	26,345

Group Financial Record

	Year ended 30 June 2006 IFRS £000	Year ended 30 June 2005 IFRS £000	Year ended 30 June 2004 UK GAAP £000	Year ended 30 June 2003 UK GAAP £000	Year ended 30 June 2002 UK GAAP £000
Revenue	91,651	101,507	57,367	43,849	39,730
Gross profit (*)	26,942	26,016	21,858	10,748	7,202
Net operating expenses	(8,005)	(7,618)	(6,706)	(7,599)	(9,552)
Operating profit/(loss)	18,937	18,398	15,152	3,149	(2,350)
Share of joint venture operating loss	-	-	-	-	(571)
Total operating profit/(loss)	18,937	18,398	15,152	3,149	(2,921)
Net finance income	1,274	1,206	489	639	1,136
Profit/(Loss) before taxation	20,211	19,604	15,641	3,788	(1,785)
Taxation	(5,122)	(5,582)	(3,522)	(1,286)	(50)
Profit/(Loss) after taxation	15,089	14,022	12,119	2,502	(1,835)
Minority interest	-	-	(329)	433	386
Profit/(Loss) attributable to shareholders	15,089	14,022	11,790	2,935	(1,449)
Basic earnings/(loss) per share	18.4p	17.2p	14.6p	3.7p	(1.8)p
Net assets	56,302	45,979	32,476	24,183	24,104
Financed by					
Share capital	8,290	8,166	8,101	8,021	7,997
Reserves and share premium	48,012	37,813	24,011	16,127	15,639
Equity shareholders' funds	56,302	45,979	32,112	24,148	23,636
Minority interest	-	-	364	35	468
Total equity	56,302	45,979	32,476	24,183	24,104

* *Gross profit for the year ended 30 June 2006 is stated after exceptional costs of £3.9m (2005: £5.2m, other years: £nil).*

The results and balance sheets for the years ended 30 June 2002, 30 June 2003 and 30 June 2004 have not been restated to reflect the transition to IFRS.

Notice of meeting

NOTICE IS HEREBY GIVEN that the seventeenth Annual General Meeting of the Company will be held at the Mary Green Manor Hotel, London Road, Brentwood, Essex CM14 4NR on Thursday 23 November 2006 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 2006 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 2006.
3. To declare a final dividend of 4.5p per ordinary share (Note 1).
4. To declare a special dividend of 32p per ordinary share (Note 1).
5. To re-elect Mr S Sugar who retires by rotation (Note 2).
6. To re-elect Mr I P Saward who retires by rotation (Note 3).
7. To re-appoint Deloitte & Touche LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration.

Special business

To consider and, if thought fit, pass the following resolutions of which resolution number 8 will be proposed as an ordinary resolution and resolution number 9 will be proposed as a special resolution:

8. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise the power of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £522,183 to such persons and at such times and on and subject to such terms as the directors shall determine provided that this authority shall unless renewed expire on the conclusion of the next Annual General Meeting of the Company after passing of this resolution, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

9. That subject to the passing of resolution 8 set out in the notice convening this Meeting, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority referred to in resolution 8 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 £414,504,

   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. The Group has been generating significant levels of cash over the last few years. The cash is now at a level where the Board feels it appropriate to recommend to shareholders the return, by way of dividend, of £30m. It is proposed that the return of cash is by way of a special dividend of 32p per share and a normal final dividend of 4.5p per share.

2. Simon Sugar, aged 37, is the Company's Commercial Director. He is responsible for managing commercial relationships with customers and developing new business opportunities. He joined Amstrad in 1989 and was appointed to the Board on 1 May 1998. Prior to joining Amstrad he worked for Dixons Stores Group for three years gaining retail experience

3. Ian Saward, aged 45, is the Company's Engineering Director responsible for the ongoing design and development of products. He joined Amstrad in 1987 and was appointed to the Board on 1 May 1998.

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

5. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those members registered in the register of members of the Company as at 11.00 a.m. on 21 November 2006 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 21 November 2006 will be disregarded in determining the rights of any person to attend or vote at the Meeting.

6. A statement of the share transactions, if any, of each director up to and including 28 September 2006 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 28 September 2006

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 23 November 2006 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 2006 and the directors' and auditors' reports thereon	☐	☐
2. To approve the Report of the Board on Directors Remuneration for the year ended 30 June 2006	☐	☐
3. To declare a final dividend of 4.5p per ordinary share	☐	☐
4. To declare a special dividend of 32p per ordinary share	☐	☐
5. To re-elect Mr S Sugar as a director	☐	☐
6. To re-elect Mr I P Saward as a director	☐	☐
7. To re-appoint Deloitte & Touche LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to agree their remuneration	☐	☐
8. To give the directors authority to allot shares	☐	☐
9. To disapply pre-emption rights on allotment of equity securities (special resolution)	☐	☐

Signature .... Date ....

Notes:

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

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122

2

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

FIRST FOLD

THIRD FOLD AND TUCK IN