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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you have sold or transferred all your shares in Amstrad plc, please send this document, together with the accompanying circular and forms of proxy, at once to the purchaser or transferee, or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this document, which comprises listing particulars relating to Viglen Technology plc in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

This document has been prepared in connection with the Scheme (as defined herein) and, unless the context otherwise requires, assumes that the Scheme has become effective.

Viglen Technology plc

(Incorporated and registered in England and Wales
under the Companies Act 1985 with registered no. 3337575)

Introduction to the Official List

Sponsored by

Deutsche Morgan Grenfell

Listing Particulars

Application has been made to the London Stock Exchange for the ordinary shares (issued and to be issued) of Viglen Technology plc to be admitted to the Official List. Subject to the Scheme becoming effective, it is expected that listing will become effective and that dealings in the ordinary shares will commence on 4th August, 1997.

Persons receiving this document should note that Deutsche Morgan Grenfell is acting for Amstrad plc and Viglen Technology plc in relation to the Scheme and the Introduction and will not regard any other person as its customer and will not be responsible to anyone other than Amstrad plc and Viglen Technology plc for providing the protections afforded to its clients or for providing advice in relation to the Scheme or the Introduction.

This document does not constitute an offer or invitation for any person to subscribe for or purchase any securities in Viglen Technology plc.

Contents

Definitions

Viglen

"Act"	the Companies Act 1985
"Amstrad"	Amstrad plc (to be renamed Amslit Limited)
"Amstrad Group"	Amstrad and its subsidiaries
"Betacom"	Betacom Plc
"the Company" or "Viglen Technology"	Viglen Technology plc
"Dancall"	Dancall Telecom A/S
"Dataflex"	Dataflex Design Communications Limited
"Deutsche Morgan Grenfell"	Morgan Grenfell & Co. Limited
"Directors"	the directors of the Company
"the Group"	Viglen Technology and its subsidiaries following the Scheme becoming effective
"the Introduction"	the introduction of the ordinary shares to the Official List
"the Listing"	the listing on the London Stock Exchange of the ordinary shares of Viglen Technology issued and to be issued pursuant to the Scheme becoming effective
"the Litigation"	the litigation against Seagate Technology Inc. and Seagate Technology Singapore PTE Limited (now in liquidation) (together referred to as Seagate) and Western Digital Corporation and Western Digital UK Limited (together referred to as Western Digital) respectively in which Amstrad is currently involved and which is described in paragraph 13 of Part 11 of this document
"the London Stock Exchange"	London Stock Exchange Limited
"the Official List"	the Official List of the London Stock Exchange
"ordinary shares"	ordinary shares of 10p each in Viglen Technology
"the Scheme"	the proposed scheme of arrangement under Section 425 of the Companies Act 1985 between Amstrad and its shareholders as described in Part 10 of this document
"Viglen"	Viglen Limited

Directors and advisers

Directors and company secretary	Michael Ernest Beckett	Non executive chairman
	Bordan Tkachuk	Chief executive
	Anthony Gordon Dean	Finance director
	Michael Edward Ray	Executive director and company secretary
	Razmik Babaian	Manufacturing and purchasing director
	Joseph Ephraim Samson	Non executive director
	Alan Michael Sugar	Non executive director

all of Viglen House, Alperton Lane, Alperton, Middlesex HA0 1DX

Registered office

Viglen House
Alperton Lane
Alperton
Middlesex
HA0 1DX

Sponsor

Morgan Grenfell & Co. Limited
6 Bishopsgate
London EC2N 4DA

Stockbrokers

HSBC James Capel
Thames Exchange
10 Queen Street Place
London EC4R 1BL

Solicitors to the Company

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Auditors and reporting accountants

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Principal bankers

Lloyds Bank Plc
72 Lombard Street
London EC3P 3BT

Registrars

Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Part 1 – Key information

Viglen

The following information is derived from, and should be read in conjunction with, the full text of this document.

Introduction

Viglen Technology is the new holding company for Viglen and Amstrad.

Amstrad is seeking shareholders' and Court approval for a group reconstruction to be effected by means of a Scheme of Arrangement whereby Amstrad will become a wholly owned subsidiary of Viglen Technology in exchange for the issue or transfer, to Amstrad shareholders, of ordinary shares in the Company, loan notes exchangeable for cash, Betacom shares and a letter of entitlement to further loan notes carrying the right to participate in any net cash proceeds which may be derived from the Litigation.

Following the Scheme becoming effective, Viglen Technology will have two main subsidiaries, Viglen and Amstrad. The principal on-going activity of Amstrad will be to continue with the Litigation.

Except where the context otherwise requires, this document has been prepared on the assumption that the Scheme has become effective.

Trading activities

The trading activities of the Group will comprise those of Viglen.

Viglen designs and assembles personal computers (PCs) and computer network servers, principally to customers' specifications, incorporating software from third parties. Products include PCs for personal use, network work stations, desktop PCs and portable computers. Viglen is also able to provide its customers with complete network solutions from designing and building through to network installation and comprehensive after-sales support. Due to its strong relationship with key suppliers and technology leaders, Viglen's range of products is constantly updated to incorporate the latest technology.

Viglen's main focus is on the UK market and it has a direct sales and marketing force which targets four key markets; the education market, the public sector market, the corporate market and the small office and home office (SOHO) market.

The Directors consider that Viglen has the following key strengths:

- an established reputation in the specialist computer press for reliability, performance and quality;
- strategic relationships with key hardware and software suppliers such as Microsoft Corporation (Microsoft) and Intel Corporation (Intel);

Part 1 – Key information continued

- an increasing market share in the growing direct sales market with a balanced exposure to its four sectors;
- a quality customer base from which a high proportion of repeat business is generated;
- an excellent reputation for early adoption of state of the art technology and provision of after-sales service;
- modern production facilities designed to produce custom-built PCs;
- the ability to maintain tight inventory control and to respond rapidly to the changing needs of customers; and
- low obsolescence rates on components and finished products.

Strategy

Viglen will continue to focus on the PC direct sales market in the UK, developing its position in its four key sectors by strengthening brand awareness. Having built its product and service reputation through specialist computer publications, Viglen now aims to broaden its brand awareness by focusing its advertising on the mainstream press and by adopting a pro-active public relations strategy, using its strong customer base for both brand and product endorsement. Viglen intends to continue to secure high levels of repeat business from existing customers by providing a comprehensive and reliable service.

The Directors believe that the demand for network solutions is increasing in every market in which Viglen operates. Demand for intranet and internet connections is expected to grow rapidly with many small and medium sized enterprises only now starting to adopt this technology. Through the recent formation of its network division, management has initiated a strategy to increase these higher margin network sales, using its existing sales channels and customer relationships.

The longer term strategy is to increase overall production volumes in response to sales from the current 70,000 units to 250,000 units per annum. This increase in capacity would bring volume efficiencies and enable Viglen to compete more effectively, in particular in the multinational corporate market.

Financial history, current trading and prospects

The financial record of Viglen for the two years ended 30th June, 1996 and the six month period ended 31st December, 1996, which has been extracted from the Accountants' report on the Amstrad Group set out in Part 7 and the Interim statement set out in Part 8 respectively, is given below:

	12 months to 30th June, 1995	*12 months to 30th June, 1996*	*6 months to 31st December, 1996*
	£000	*£000*	*£000*
Turnover	93,266	105,952	47,500
Operating profit	11,368	10,455	4,700

Viglen has two peak sales periods; March (the financial year end of its public sector and education customers) and November/December (SOHO retail sales).

Financial history. Sales increased from the year ended 30th June, 1995 to the year ended 30th June, 1996 mainly because of the strong performance in the education and public sector markets. An increase in operating costs, attributable to a combination of factors, led to a reduction in operating profit. These factors included a move to new production facilities in Perivale, West London (which caused an initial, temporary disruption to production) and an increase in headcount to support growth and maintain customer service levels. The Directors believe that Viglen is now well placed, as a result of this expenditure, to meet the future growth expected in the business.

Current trading and prospects. In common with the rest of the PC industry, Viglen has experienced a fall in the average unit selling price of PCs, which is calculated on a cost-plus basis, as a result of the substantial reduction in the price of memory chips and the availability of higher specification PCs at the low cost, entry level end of the market.

Viglen's sales volumes grew in the six month period ended 31st December, 1996 compared to the six month period ended 31st December, 1995 and this volume growth is continuing in the second half of the current financial year. Market research produced by the independent monitoring service, Romtec, forecasts continued growth in the UK PC market, albeit at a lower level than has been experienced historically. Viglen expects to maintain its growth and to increase its market share by focusing on its key markets, in particular by expanding the network solutions division.

Part 2 – Introduction

Viglen Technology is the new holding company for Viglen and Amstrad.

On 30th April, 1997, Amstrad disposed of its shareholding in Dancall for a cash consideration of US$ 150 million (approximately £92 million). On 4th June, 1997, Amstrad sold its business of trading in domestic satellite receiving equipment and electronic and electrical goods for the consumer market to Betacom. The consideration of £6.5 million was satisfied by the issue of 9,489,051 new ordinary shares in Betacom. Under these arrangements, Betacom granted Viglen a five year royalty free licence (renewable on commercial terms) to use the Amstrad brand name for PCs in the UK. Following these transactions, Amstrad's principal assets were Viglen, its shares in Betacom, cash deposits and the potential benefits of the Litigation.

Amstrad is seeking shareholders' approval for a group reconstruction to be effected by means of a Scheme of Arrangement (as described in Part 10 of this document), which is subject to Court approval. Pursuant to the Scheme, Viglen Technology will acquire Amstrad in exchange for ordinary shares, loan notes exchangeable for cash, Betacom shares and a letter of entitlement carrying the right to participate, by means of further loan notes, in any net cash proceeds which may be derived from the Litigation.

Following the Scheme becoming effective, Viglen Technology will have two main subsidiaries, Viglen and Amstrad. The consumer electronics subsidiaries of Amstrad, both in the UK and continental Europe, are ceasing to operate under restructuring plans which were announced by Amstrad in July 1996. Amstrad's principal on-going activity will be to continue with the Litigation.

Assuming the necessary shareholder and Court approvals are obtained, it is anticipated that the Scheme will become effective on 1st August, 1997 and that dealings in the ordinary shares of Viglen Technology will commence on 4th August, 1997.

Immediately following implementation of the Scheme, Mr Sugar will hold 41,114,630 shares in Viglen Technology, representing approximately 34 per cent. of its issued share capital. Mr Sugar and Viglen Technology have been advised and accept that it would be preferable if no single shareholder held such a substantial stake in the Group. Accordingly, it is Mr Sugar's intention to reduce his shareholding in Viglen Technology as soon as practicable after the Scheme becomes effective. Mr Sugar has indicated to Viglen Technology, however, that he wishes to maintain a shareholding in excess of 10 per cent. for the foreseeable future.

Except where the context otherwise requires, this document has been prepared on the assumption that the Scheme has become effective.

Part 3 – Viglen

History

Viglen was formed in 1975 to manufacture components for the medical and electronics industries. In 1981, Viglen diversified its business and started to sell peripheral devices for the computer industry. It was one of the first companies operating in the UK to develop and manufacture personal computers for sale direct to end users.

Viglen was purchased by Amstrad in July 1994 for an initial consideration of £30 million, and ultimately Amstrad will have paid approximately a further £31 million to the vendors of Viglen under the deferred consideration and earn-out provisions of the purchase agreement.

Business

Viglen operates from modern offices and a purpose-built production facility in West London.

Viglen designs and assembles personal computers and computer network servers principally to customers' specifications, incorporating software packages from third parties. Its products are sold primarily under the Viglen brand name. Viglen also provides a complete network solution, installation and maintenance service. It has an established reputation in the specialist computer press for reliability, performance and quality.

Viglen focuses on the UK market and has a direct sales and marketing force which targets educational establishments, the public sector, the corporate market and the SOHO market.

Viglen is one of the largest independent UK direct selling PC companies. The Directors believe that Viglen has a higher operating margin than other listed direct selling PC companies operating in the UK. Direct selling is the fastest growing sales channel for PCs in the United States of America and recent market research commissioned by Microsoft indicates that this trend is being repeated in the UK.

Due to its strong relationships with key suppliers and technology leaders, Viglen is able to offer a range of products and peripherals which is continually updated by incorporating the latest technology.

Products and services

Viglen's services range from the sale of single PCs and computer network servers through to the design, sale, installation and support of complete local area and wide area networks.

Viglen offers PCs for personal use, network work stations, computer network servers, desktop PCs and portable computers. These range from low cost, entry level products to sophisticated, high performance products. Viglen also supplies industry standard peripherals and third party software as part of its product range.

Part 3 – Viglen continued

Viglen provides complete network solutions from designing and building through to network installation and full after-sales support.

Independent surveys have shown that Viglen's products and services are highly rated. For example, the respondents to PC Magazine's latest Service and Reliability Survey found that Viglen delivered the highest level of overall satisfaction for system reliability and repairs. Approximately 65 per cent. of Viglen's turnover for the year ended 30th June, 1996 was derived from existing customers, demonstrating considerable customer loyalty.

PCs. Approximately 80 per cent. of Viglen PCs are designed and assembled in response to customers' orders. This is an efficient and cost effective method of fulfilling customers' requirements. Viglen PCs are equipped with software from leading companies, such as Microsoft and Novell Corporation (Novell). The lead time from order to despatch, depending on the complexity of the product required, is normally between three and 10 working days.

In the corporate, education and public sector markets Viglen offers two principal PC products, the Contender and the Genie. The Contender is the entry level product, whilst the Genie combines high performance with the ability to operate in a networked environment. All models currently use Intel's Pentium processor, Pentium Pro processor or recently launched Pentium II processor.

In the SOHO market, Viglen produces a number of pre-configured systems targeting both small businesses and personal users. Small business systems are designed to provide high performance which is compatible with industry standard business software applications. Systems for personal use place emphasis on multimedia features, which can include CD ROM, 3D video, 3D surround sound, in-built photographic scanners and the option of connection to the Internet through a modem. Viglen is currently producing one of the first systems to offer video conferencing through a normal telephone line. It has also begun to despatch products with the next generation of CD ROM devices, called DVD (digital video display), which offer a high data capacity and the ability to store and play full length movies.

Portable PCs. Viglen's portable range consists of the entry level Dossier CL and the more sophisticated Dossier CDp. The Dossier Notebook PCs currently use either the Pentium processor or the recently introduced MMX Pentium processor.

Computer network servers. Within the last twelve months Viglen has formed a separate network division which offers a comprehensive range of computer servers, network products and services. This consists of three models: the entry level LX server, the mid range XX Pro server and the high performance Propenta server. The servers are usually pre-installed with network software, typically from Microsoft or Novell, and are configured to customer specifications.

This division will make its first contribution to turnover this year and the Directors believe that it will be an important growth area for the future.

Peripherals. Viglen offers its customers a wide range of peripherals, including printers, modems, scanners and component upgrades, sourced to match Viglen's PC range and providing the customer with a complete system.

Network solutions. The range of services available to the network customer includes network cabling, data security, advice on network management and the design of communication links with other networks. Viglen also runs specialised training courses in-house and in association with training house partners.

After-sales service. Viglen has a reputation within the industry for providing a high level of service. Viglen offers its customers full after-sales support, through its own engineers and subcontractors, on a nationwide basis. As standard, Viglen offers a 12 month collect and return warranty that can be upgraded to an on-site warranty. Enhanced service options which are available include next business day repair, four hour response and individually tailored comprehensive support contracts for hardware, software and installations.

Viglen also provides a free technical support hotline for all its PCs, portables and computer servers. Viglen maintains a database which enables it to trace the history of each individual Viglen product. The database records all contact with the customer and provides immediate on-screen information when dealing with queries through the hotline.

Customers and markets

Viglen's turnover is principally derived from sales to customers in Great Britain and Ireland. Viglen's total sales for the year ended 30th June, 1996, as extracted from the Accountants' report on the Amstrad Group set out in Part 7, can be split as follows:

Market	*Sales* *£'000*	*Percentage of sales*
Education	26,494	25.0
Public sector	22,306	21.0
Corporate	32,280	30.5
SOHO	24,872	23.5
Total	105,952	100.0

The Directors believe that Viglen's presence in a number of key market sectors ensures that it is not unduly dependent on any one sector. Viglen is sufficiently flexible to be able to respond to changes within each sector and to optimise its position by taking advantage of the sectors which are experiencing strongest growth. About three quarters of Viglen's turnover is derived from account business in the education, corporate and public sectors, with the remainder being derived from cash sales, principally in the SOHO sector.

Part 3 – Viglen continued

Market research produced in May 1997 by the independent monitoring service, Romtec, for the calendar year 1996 indicates that Viglen has an estimated 8 per cent. share of the UK PC direct market as measured by unit sales. Romtec also produced research in April 1997 which estimated that the growth in the UK PC direct market in 1996 was 16 per cent. Viglen's sales volumes in the six month period ended 31st December, 1996 also increased by 16 per cent. compared with the equivalent period in the previous year. Romtec forecasts that the UK PC direct market will grow by 19 per cent in 1997, compared with overall forecast growth in the UK PC market of 12 per cent.

Education. Viglen supplies universities, colleges and schools. Its primary focus is currently on the higher education market. There are over one hundred universities in the UK and Viglen supplies about two thirds of these. The Directors believe that Viglen is the principal supplier to about one third of UK universities, including Oxford, Cambridge, London and Bristol.

Viglen's large installed base of PCs at universities, with some having in excess of 4,000 PCs on campus, generates a constant demand for additional PCs and workstations as well as the opportunity to provide computer network services and other sales support services. The Directors believe that the education market will enjoy strong growth as the new government recognises the need to expand the use of PCs through all levels of education from University to junior schools.

Public sector. Historically, the public sector has been one of Viglen's key markets and Viglen is a major supplier to it of PCs and servers. One of its largest customers is The Stationery Office (formerly HMSO). Other customers include local authorities, hospitals, police forces and government departments such as Durham City Council, Royal Brompton Hospital, the Royal College of Nursing, Leicestershire Constabulary and HM Treasury. The Directors believe that with its understanding and experience of the tendering process in the public sector, Viglen is well positioned to benefit from this market.

Corporate. The corporate market is well established and research produced by Microsoft in April 1997 suggests that more than half of the installed base of PCs will be replaced in the short to medium term. Ongoing demand will therefore result from the continuous need to replace and update existing hardware in order to take advantage of new technologies.

The Directors believe that there is considerable potential within the smaller companies market as these companies become increasingly interested in taking advantage of PC based server computer systems, which are now more affordable than in the past.

SOHO. The SOHO market is a high margin, cash sales business which has shown strong growth for Viglen. Customers typically do not have an account with Viglen, but order over the telephone and pay before goods are despatched. Market research produced by Microsoft in April 1997 indicates that this will continue to be a strong growth area as the penetration of PCs in the European SOHO market is still lower than in the US market.

The Directors believe that demand for newer, faster PCs is expected to continue, fuelled by the growing interest in areas such as personal productivity, the Internet, teleworking and games.

Sales and marketing

Viglen principally deals directly with the end user rather than through dealers or agents. This gives Viglen a close relationship with its customers, which provides it with a good understanding of their specific needs and the ability to respond quickly to their demands.

Sales are made both by telephone and by personal visits. Each key customer has assigned to it a dedicated account manager. In addition, a team of network specialists is available to provide advice to customers wishing to purchase and install a network.

Viglen advertises in the national press and computer magazines. It has also used radio and television advertising and sponsorship, including its current sponsorship of Charlton Athletic Football Club.

Viglen produces a quarterly magazine which is available free of charge to its customers.

Production

Production is undertaken at Viglen's purpose built, 60,000 square foot facility at Perivale, West London. This facility produces approximately 70,000 base units per annum in its current single shift system. Viglen has the potential to quadruple this output by introducing a multiple shift system and adding further production lines. The production facility is highly automated and the production and testing process runs on a bar-code identification system which tracks and checks each order through the system. Every unit that passes down Viglen's line can be built to an individual specification. Test procedures ensure that the rate of PC base unit failures following despatch is below one per cent.

Since 1st January, 1996, all PC manufacturers have been required by European law to sell systems approved for electromagnetic compatibility (EMC) and must carry the "CE" mark as proof of meeting this requirement. The Directors believe that Viglen is one of a small number of UK PC manufacturers to have invested in a dedicated EMC testing laboratory which ensures that these standards are met.

Viglen is a BSEN and ISO 9002 accredited company and implements a strict quality management system across the organisation.

Product development

Viglen has its own technical team which develops and tests products prior to their launch. It also prepares detailed requirement specifications for the purchasing department and verifies that components have been made in accordance with such specifications.

Suppliers

Intel is the main supplier of processors and motherboards to Viglen. The Directors believe that Viglen's strong relationship with Intel enables it to benefit from Intel's market strength by being among the "first to market" in the UK with new technology and also by being aware of Intel's future developments which Viglen can incorporate in product designs as soon as they are released.

The major supplier of software to Viglen for operating systems and application software is Microsoft and for network solutions is Novell. Viglen has long-standing business relationships with both Microsoft and Novell. Viglen is a Novell authorised original equipment manufacturer, which means that Viglen can test its hardware for compatibility with Novell network software in its approved certification laboratory.

Viglen's policy is to source high quality and cost competitive standard components from established suppliers such as Sony, Siemens and Fujitsu. Potential suppliers have to undergo a strict approval and certification process. If they meet Viglen's standards, they will be added to the approved suppliers list and orders may be placed with them. The list is reviewed on a regular basis. The Directors believe that Viglen's strong relationship with its suppliers allows it to order many components at short notice and to maintain low stock levels, thus reducing the risk of obsolescence.

In common with most other PC producers, Viglen relies on the continued supply of Microsoft and Intel products. The Directors do not believe, however, that Viglen is more dependent on its major suppliers than are other companies in the industry.

Financial history, current trading and prospects

The financial record of Viglen for the two accounting periods ended 30th June, 1996 and the six month period ended 31st December, 1996, which have been extracted from the Accountants' report on the Amstrad Group set out in Part 7 and the Interim statement set out in Part 8 respectively, is given below:

	12 months to 30th June, 1995	*12 months to 30th June, 1996*	*6 months to 31st December, 1996*
	£'000	*£'000*	*£'000*
Turnover	93,266	105,952	47,500
Operating profit	11,368	10,455	4,700

Viglen has two peak sales periods; March (the financial year end of its public sector and education customers) and November/December (SOHO retail sales).

Financial history. The increase in sales revenue of 13.6 per cent. from the year ended 30th June, 1995 to the year ended 30th June, 1996 was mainly because of the strong performance in the education and public sector markets.

The reduction in operating profit from the year ended 30th June, 1995 to the year ended 30th June ,1996 was due to a combination of several factors.

Following Amstrad's acquisition of Viglen, it was determined that several years of growth had resulted in the production facility at Alperton reaching the limits of its capacity. Capital expenditure on a new facility was committed in Autumn 1994 and Viglen moved production from Alperton to a nearby, purpose-built facility at Perivale, West London in Spring 1995. Production was initially affected following the move, but these problems were resolved by the end of 1995. The relocation to Perivale not only resulted in the availability of new, high technology production facilities and greatly increased production capacity but also vacated much needed office space at Alperton to accommodate necessary increases in personnel.

Throughout the year ended 30th June, 1996 Viglen increased its headcount in all areas of the business, in particular in manufacturing, sales and support to meet future growth and maintain customer service levels.

Although these factors resulted in increased operating costs, the Directors believe that Viglen is better positioned, as a result of this expenditure, to meet the future growth expected in the business.

In addition, there was a substantial increase in advertising expenditure during the year ended 30th June, 1996, which included a trial television advertising campaign in December 1995. Advertising costs are being reduced in the current year and future advertising expenditure is budgeted to rise in line with sales revenue.

Current trading and prospects. Sales revenue in the six month period ended 31st December, 1996 fell by 6.5 per cent. compared to the equivalent period in 1995. In common with the rest of the industry, Viglen has experienced a fall in the average unit selling prices of PCs of approximately 20 per cent. over the last 12 months. The principal contributing factor was the substantial reduction in the price of DRAM memory chips which was largely passed on to customers as a result of the industry's cost-plus method of pricing. The availability of higher specifications for entry level PCs has resulted in a change in sales mix, with more customers selecting entry level PCs, contributing further to the reduction in average unit selling prices.

Although unit selling prices have fallen, Viglen's sales volumes in the six month period ended 31st December, 1996 increased by 16 per cent. compared with the equivalent period in the previous year, an increase in line with UK market growth. This trend in volume growth is continuing in the second half of the current financial year and volumes are ahead of management expectations.

Independent market research by Romtec forecasts continued growth in the UK PC market, albeit at a lower level than has been experienced historically. Viglen expects to maintain its growth and to increase its market share by focusing on its key markets, in particular by expanding the network solutions division.

Part 4 – Amstrad

Background

Following implementation of the Scheme, Amstrad will be renamed Amslit Limited.

The principal activities of Amstrad will be to complete the closure of its consumer electronics subsidiaries, to complete the disposal of Dataflex to its management (or to rationalise the business and integrate it into Viglen) and to pursue the Litigation. It is also intended that Amstrad will pursue the realisation of surplus assets including certain properties.

The head office function of Amstrad will initially be reduced to a level suitable for the management of Amstrad following the Scheme and will ultimately be integrated into the head office function of the Group.

Closure of consumer electronics subsidiaries

In July 1996, Amstrad announced a fundamental restructuring of its consumer electronics business and entered into an agreement with Betacom for the supply under licence to Betacom of its UK branded audio, video, telecom and household consumer products. This business was subsequently sold together with Amstrad's satellite business to Betacom in June 1997.

In France, Holland and Belgium, trading activities ceased in the first quarter of 1997 following the disposal of inventories. There are no employees of the consumer electronics subsidiaries left in these countries and Amstrad will administer the formal winding up of the legal entities in these countries which is expected to be completed over the next 12 to 18 months.

It is intended that trading in Germany will cease at the end of June 1997 following the planned disposal of all inventory. It is anticipated that by October 1997 the collection of outstanding receivables will have been completed and all staff will have been made redundant.

Dataflex

Dataflex's activities are principally the design and distribution of modem products to UK industrial and PC original equipment manufacturers. Dataflex was established in 1995 with business assets acquired from Dataflex Design Limited (in liquidation) but its development has not fulfilled expectations. Negotiations are currently taking place for the disposal of Dataflex to management. However, if the business is not sold to management, it will be significantly rationalised and the core design and development function and product range will be absorbed into Viglen. No significant profit or loss is expected from the disposal or rationalisation of Dataflex.

Litigation

Amstrad is currently a party to litigation with Seagate and Western Digital respectively as described further in paragraphs 13(b) and 13(c) of Part 11 of this document. On 9th May, 1997, Amstrad was awarded £57.6 million in the Seagate litigation. A further hearing is to take place in order to hear argument from the parties relating to any corrections to the Judge's calculations in his judgment, interest and costs, together with any applications concerning appeals. Amstrad has submitted calculations to the Court indicating that, in aggregate, the damages should exceed £100 million. This may be subject to appeal and would be a taxable receipt for Amstrad. The trial in the Western Digital proceedings is expected to begin later this year. It is still not clear when the Seagate proceedings or the Western Digital proceedings will be concluded.

On the Scheme becoming effective, the conduct of the Litigation will be controlled by independent trustees. Although the party to the Litigation, Amstrad, will be a subsidiary of Viglen Technology, the terms of the trust deed should ensure that the costs and any benefits arising from the Litigation will accrue to the former Amstrad shareholders and not to Viglen Technology or its shareholders. As part of the proposals, a sum of £2.3 million is being left in Amstrad in order to fund the conduct of the Litigation and the trustees will have the power to raise further funds, if necessary. The net proceeds (if any) and any balance remaining out of the fund to conduct the Litigation will be distributed to former Amstrad shareholders unless the aggregate is less than £1 million in which case it will be retained for the benefit of the Group.

Financial information

The Directors believe that the future activities of Amstrad will not have any material adverse impact upon the operating results of the Group and that sufficient cash funding is being retained in Amstrad to enable it to meet all its liabilities.

Part 5 – Strategy and dividends

Strategy

The strategy of Viglen Technology will be to develop the business operations of Viglen.

Viglen will continue to focus on the PC direct sales market in the UK, developing its position in its four key sectors by strengthening brand awareness. Having built its product and service reputation through specialist computer publications, Viglen now aims to broaden its brand awareness by focusing its advertising on the mainstream press and by adopting a pro-active public relations strategy, using its strong customer base for both brand and product endorsement. Viglen intends to continue to secure high levels of repeat business from existing customers by providing a comprehensive and reliable service.

The Directors believe that the demand for network solutions is increasing in every market in which Viglen operates. Demand for intranet and internet connections is expected to grow rapidly with many small and medium sized enterprises (SMEs) only now starting to adopt this technology. Through the recent formation of its network division, management has initiated a strategy to increase these higher margin network sales using its existing sales channels and customer relationships.

Viglen plans to strengthen its leading position in the UK higher education market. It also intends to build on the knowledge and expertise gained in this market and to apply it with the aim of securing additional business from schools and local education authorities. The Directors believe that this sector will show continued growth given the government's commitment to increasing pupils' access to computers in schools. As part of this strategy, Viglen has entered into a partnership with Asda Group plc as sole supplier of PCs for its 1997 "Computers for Schools" initiative.

In the public sector, there is a need to update and replace out-of-date technology. Management will continue to build on Viglen's reputation for reliability and its experience of public sector tendering to increase its market share. The Directors believe that Viglen can respond quickly to new initiatives such as the recently launched official government catalogue, which allows public sector customers to purchase PCs directly from selected suppliers on a pre-negotiated price list.

In the corporate market, Viglen's primary aim is to sell network solutions with PC workstations to the SME market, which consists of UK companies with between 50 and 1,000 employees. The Directors estimate that this market comprises over 50,000 companies. In addition, there is a large corporate replacement market with new and existing customers seeking to replace their older PCs in order to benefit from the adoption of the latest operating systems and technology.

The Directors believe that the lower penetration of PCs in the European SOHO market compared to the US market and the growing demand for access to the Internet will lead to a rapid expansion of the SOHO market in the next two years. The Directors believe that Viglen's strong reputation in the computer press and its planned focus on mainstream advertising should ensure that Viglen is able to take advantage of this growing market.

The longer term strategy is to increase overall production volumes in response to sales from the current 70,000 units to 250,000 units per annum. This increase in capacity would bring volume efficiencies and enable Viglen to compete more effectively, in particular in the multinational corporate market.

Dividends

The Directors expect that the first dividend on the ordinary shares will be paid in April 1998. This will represent an interim dividend in respect of the financial year ending 30th June, 1998. Under normal circumstances, it is anticipated that the full year's dividend will be split such that approximately one third would be paid as an interim dividend and two thirds would be paid as a final dividend.

In the absence of unforeseen circumstances, the Directors intend to adopt a policy of increasing dividends having regard to underlying earnings growth.

Part 6 – Directors, management and employees

Directors

The Board has four executive directors and three non executive directors.

Michael Beckett (non executive chairman), aged 60, was a director of Consolidated Gold Fields Limited between 1975 and 1986 and managing director between 1986 and 1989 until that company was taken over by Hanson PLC. He is currently chairman of Greycoat PLC, Horace Clarkson plc, Monarch Resources Limited, and Watts Blake Bearne & Company plc and a non executive director of a number of other companies including BPB Industries plc and British-Borneo Petroleum Syndicate P.L.C. He has been a director of Amstrad since 1993.

Bordan Tkachuk (chief executive), aged 42, was appointed a director of Viglen in 1996. After working for a number of companies in the computer industry, he joined Amstrad Australia at the time of its formation in 1988 and became its managing director in 1991. He became responsible for the Asia Pacific region, growing the company to become the number one PC supplier in Australia and was awarded the prize of Marketer of the Year by the AITA (Australia Information Technology Awards) in 1989 for this success. In 1994, he moved to the UK and became the managing director of Amstrad Consumer Electronics Limited. His experience encompasses the management, sales, marketing and technical areas of companies in the computer industry.

Anthony Dean (finance director), aged 41, is a graduate in Economics of Bristol University and qualified as a Chartered Accountant with Coopers & Lybrand, London in 1981. In 1982 he joined RTZ Pillar in London in a group finance role before joining Amstrad in 1985. He held a number of senior financial positions in the Amstrad Group both in the UK and overseas before joining the main Amstrad Board in 1992 as group finance director. He has broad experience of the personal computer industry and has had a key role in acquisitions and disposals including Viglen and Dancall. He has been actively involved with Viglen as a non-executive director since its acquisition in 1994.

Michael Ray (executive director and company secretary), aged 33, graduated from Sussex University in Mathematics and Statistics before qualifying as a Chartered Accountant with Finnie & Co in 1987. He joined Amstrad in 1988 and held a number of financial positions before becoming group finance manager in 1991. He was part of the Amstrad acquisition team that purchased Viglen in 1994. He joined Viglen in 1995 and became its finance director in early 1996.

Razmik Babaian (manufacturing and purchasing director), aged 42, graduated from the University of Surrey and joined Viglen in 1985. He was appointed production manager in the same year and became a director in 1987 with responsibility for production and purchasing. He was a shareholder of Viglen at the time of its acquisition by Amstrad.

Joseph Samson (non executive director), aged 68, 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 p.l.c. where he was managing director of Hotpoint from 1983 to 1989, a member of 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 and is a non executive director of a number of companies including Moss Bros Group Plc. He has been a director of Amstrad since 1993.

Alan Sugar (non executive director), aged 50, is chairman of Amstrad which he founded in 1968 and which became a listed company in 1980. He was responsible for Amstrad's significant growth in the late 1980s. He was awarded an honorary DSc in 1988 by the City University Business School and was appointed to the Council of the Cranfield Institute in the same year. He became chairman of Tottenham Hotspur plc in 1991 and chairman of Betacom in 1996. He has been chairman of the Governors of King Solomon High School, Redbridge since 1993 and is involved in numerous charitable activities. This year, at the invitation of the government, he will undertake a tour of the UK lecturing students on the entrepreneurial aspects of business.

Management of the Group

The management of the Group is the responsibility of the four executive Directors, who are based at the Group's head office at Alperton.

Corporate governance

As a listed company, the Company intends to comply with the provisions of the Code of Best Practice published by the Committee on Financial Aspects of Corporate Governance. Remuneration and Audit Committees have been established with formally delegated duties and responsibilities.

The Audit Committee, which comprises Michael Beckett and Joseph Samson, is responsible for ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the auditors relating to financial reporting procedures.

The Remuneration Committee, which comprises Michael Beckett, Joseph Samson and Alan Sugar, is responsible for setting the remuneration of the executive Directors and senior managers with due regard to the interests of shareholders.

Part 6 – Directors, management and employees
continued

Employees

The Group's employees are organised as follows:

Viglen	
Sales and marketing	69
Production	95
Finance and administration	54
Technical support	92
	310
Executive Directors of Viglen Technology	4
Amstrad	54
Dataflex	27
Total	395

Of the 54 Amstrad employees disclosed above, 22 are under notice of redundancy as a result of the restructuring plans of Amstrad's consumer electronics business.

The Directors have put in place share option schemes, as described in Part 11, to provide incentives for management and employees.

Part 7 – Accountants' reports

Set out below is an accountants' report on the newly incorporated company, Viglen Technology, and an accountants' report on the consolidated financial statements of Amstrad and its subsidiaries for each of the three years ended 30th June, 1996.

The consolidated financial statements of Amstrad include the results of Dancall, which was sold on 30th April, 1997; certain activities of Amstrad's consumer electronics business which were transferred to Betacom on 4th June, 1997; and the results of Betacom, Amstrad's shares in which are to be transferred to Amstrad shareholders under the Scheme.

Accordingly the historical results of the Amstrad Group do not represent an indication of the level of revenue or profits that might accrue to Viglen Technology in the future.

Deloitte & Touche

Chartered Accountants
Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

The Directors
Viglen Technology plc
Viglen House
Alperton Lane
Alperton
Middlesex
HA0 1DX

The Directors
Morgan Grenfell & Co Limited
6-8 Bishopsgate
London
EC2N 4DA

6th June, 1997

Dear Sirs

Viglen Technology plc ("the Company")

The Company was incorporated on 21st March, 1997 under the name of Secureforecast plc. The name of the Company was changed to Viglen Technology plc on 27th May, 1997.

The Company has issued 20 ordinary shares for a consideration of £2. No material contracts or transactions have been entered into.

Part 7 – Accountants' reports continued

The Company has not yet traded. No accounts have been made up for presentation to members and no dividends have been declared or paid. The balance sheet of the Company as at 30th April, 1997 as set out below is based on non-statutory accounts which have been audited by ourselves and in our opinion give a true and fair view of the state of affairs of the Company at that date. The Company had not incurred a profit or loss at that date.

Balance sheet of the Company at 30th April, 1997

	£
Current assets	
Cash	2
Capital and reserves	
Called up share capital	2

We consent to the inclusion of this report in the listing particulars and take responsibility for this report.

Yours faithfully

Deloitte & Touche
Chartered Accountants

Deloitte & Touche

Chartered Accountants
Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

The Directors
Viglen Technology plc
Viglen House
Alperton Lane
Alperton
Middlesex
HA0 1DX

The Directors
Morgan Grenfell & Co Limited
6-8 Bishopsgate
London
EC2N 4DA

6th June, 1997

Dear Sirs

We report in connection with the proposed admission of the whole of the issued and to be issued share capital of Viglen Technology plc ("the Company") to the Official List of the London Stock Exchange and its proposed acquisition of Amstrad plc.

We have examined the audited consolidated financial statements of Amstrad plc and its subsidiaries ("the Amstrad Group") for each of the three years ended 30th June, 1996.

We have acted as auditors of Amstrad plc throughout the period covered by this report.

The financial information set out in this report is based on the audited consolidated financial statements for the three years ended 30th June, 1996. No adjustments were considered necessary. Unqualified audit reports were provided on the audited consolidated financial statements of Amstrad plc for each of the three years ended 30th June, 1996.

Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

No audited financial statements have been prepared for submission to the members of Amstrad plc in respect of any period subsequent to 30th June, 1996.

We draw attention to note 31 of this report which gives information on a number of significant post balance sheet events.

In our opinion, the financial information set out below, for the purposes of the Listing Particulars of the Company dated 6th June, 1997, gives a true and fair view of the profits and losses and cash flows of the Amstrad Group for each of the years covered by the report and of the state of affairs of the Amstrad Group at the end of each of those years.

Consolidated profit and loss accounts

for the years ended 30th June, 1994, 1995 and 1996

	Note	*1994* *£'000*	*1995* *£'000*	*1996* *£'000*
Turnover	1	238,945	271,565	329,330
Operating costs	2	(265,399)	(276,720)	(340,207)
Exceptional operating costs	2	—	—	(4,048)
Operating loss		(26,454)	(5,155)	(14,925)
Restructuring costs	3	—	—	(6,680)
Profit on disposal of fixed assets		—	1,003	420
Write-down of fixed assets		627	—	—
Loss on ordinary activities before interest		(27,081)	(4,152)	(21,185)
Net interest	6	7,142	7,209	6,240
(Loss)/Profit on ordinary activities before taxation	7	(19,939)	3,057	(14,945)
Tax credit/(charge) on (loss)/profit on ordinary activities	8	1,377	(463)	(684)
(Loss)/Profit on ordinary activities after taxation		(18,562)	2,594	(15,629)
Equity minority interests		(63)	(64)	(398)
(Loss)/Profit for the financial year attributable to shareholders		(18,625)	2,530	(16,027)
Dividends paid and proposed	9	(2,908)	(2,910)	(3,210)
Loss retained for year		(21,533)	(380)	(19,237)
(Loss)/Earnings per share	10	(16.0p)	2.2p	(13.7p)
Adjusted (loss)/earnings per share	10	(15.5p)	1.3p	(8.6p)
Statement of total recognised gains and losses				
(Loss)/Profit for the financial year		(18,625)	2,530	(16,027)
Exchange differences		(494)	756	(659)
Deficit on revaluation of properties		(6,246)	—	—
Total (losses)/gains recognised for the financial year		(25,365)	3,286	(16,686)

There is no material difference between the reported (loss)/profit on ordinary activities before taxation and the equivalent historical cost amount.

Turnover and operating loss all relate to continuing activities.

Consolidated balance sheets

as at 30th June, 1994, 1995 and 1996

		1994		1995		1996	
	Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Fixed assets							
Intangible assets			293		—		—
Tangible assets	11		24,686		28,844		26,471
			24,979		28,844		26,471
Current assets							
Stocks	13	77,278		63,463		76,651	
Debtors	14	35,251		37,478		47,143	
Investments	15	—		12,200		25,401	
Cash at bank and in hand	28	137,897		142,088		106,792	
		250,426		255,229		255,987	
Creditors: amounts falling due within one year	16	(43,081)		(79,745)		(104,530)	
Net current assets			207,345		175,484		151,457
Total assets less current liabilities			232,324		204,328		177,928
Creditors: amounts falling due after more than one year	17		—		(17,287)		(8,197)
Provisions for liabilities and charges			(613)		—		—
			231,711		187,041		169,731
Capital and reserves							
Called up share capital	18		29,067		29,101		29,219
Shares to be issued	19		—		5,720		5,468
Share premium account	20		17,335		17,480		18,055
Revaluation reserve	21		1,317		1,290		1,290
Other reserves	21		842		842		842
Profit and loss account	21		180,114		129,505		111,569
Equity shareholders' funds	22		228,675		183,938		166,443
Equity minority interests			3,036		3,103		3,288
			231,711		187,041		169,731

Consolidated cash flow statement

as at 30th June, 1994, 1995 and 1996

		1994		*1995*		*1996*	
	Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Net cash (outflow)/inflow from operating activities	26		(15,662)		32,718		(17,407)
Returns on investments and servicing of finance							
Interest received		7,810		8,035		7,020	
Interest paid		(158)		(820)		(651)	
Finance charges		(250)		—		—	
Dividends paid		(2,908)		(2,908)		(3,203)	
			4,494		4,307		3,166
Taxation							
UK corporation tax paid		(1,355)		(1,197)		(2,156)	
Overseas tax (paid)/recovered		(161)		(178)		89	
			(1,516)		(1,375)		(2,067)
Investing activities							
Purchase of fixed assets		(5,497)		(13,950)		(8,413)	
Purchase of subsidiaries	27	(6,202)		(27,135)		(10,814)	
Sale of fixed assets		554		8,970		2,641	
Sale of subsidiary	27	—		—		252	
Purchase of investments	15	—		—		(2,883)	
			(11,145)		(32,115)		(19,217)
Financing							
Issue of shares		35		179		693	
Capital element of finance lease payments		(5,736)		—		—	
			(5,701)		179		693
(Decrease)/increase in cash and cash equivalents	29		(29,530)		3,714		(34,832)

NOTES TO THE FINANCIAL INFORMATION

Accounting Policies

The financial information in this report has been prepared in accordance with applicable accounting standards in the UK.

The particular accounting policies adopted are described below.

a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain freehold properties.

b) Consolidation and basis of preparation

The financial information consolidates the financial statements of Amstrad plc and its subsidiaries.

At the date of acquisition the fair values of the net assets, excluding goodwill, of the subsidiary are determined and these values are incorporated in the consolidated financial statements. Any excess of the cost of investment over the net assets of the subsidiary that remains after this valuation is written off to retained profits. On closure or sale of subsidiaries, goodwill previously written off directly to the reserves is charged to the profit and loss account.

c) Depreciation

Depreciation is provided on tangible fixed assets, on a straight line basis from the time they are brought into use so as to write off their historical cost or valuation over their estimated useful lives as follows:

Freehold buildings	2 per cent. per annum
Plant, fixtures and fittings	10 per cent. - 50 per cent. per annum

Freehold land is not depreciated.

d) Foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rate ruling at that date, unless they are covered by forward exchange contracts where the rate of the contract is used. Translation differences are dealt with in the profit and loss account. Forward currency contracts existing at the year end which are in excess of trading commitments and on which a gain or loss has arisen at the year end are recognised as part of the (loss)/profit on ordinary activities for the year.

The financial statements of the foreign subsidiary companies are translated at the rate of exchange ruling at the year end. Differences on exchange arising from the translation of the opening net assets at the year end rate are taken directly to retained profits.

e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is represented by materials and direct labour, together with an appropriate element of production overhead. Provision has been made for obsolete and slow moving stocks. Provisions necessary to write down products that have reached the end of their normal life expectancy are charged to other operating charges. Provisions which are necessary to write down products before the end of their normal life expectancy and are also material in value, are disclosed as exceptional items in arriving at operating profit.

f) Deferred tax

Deferred tax is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

g) Investments

Investments are stated at cost, less amounts provided for any permanent diminution in value.

h) Development costs

Development costs, both internal and external, associated with products are written off as incurred.

1. Analysis of turnover, operating loss and net assets

Turnover, operating loss and net assets for the three years ended 30th June, 1996 can be analysed as follows:

	Turnover			*Operating profit/(loss)*			*Net assets*		
	1994	*1995*	*1996*	*1994*	*1995*	*1996*	*1994*	*1995*	*1996*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Viglen (Computers, peripherals & software)	—	93,266	105,952	—	11,368	10,455	—	16,552	20,383
Dancall (Mobile & cordless phones and pagers)	23,708	36,509	99,814	1,974	(2,252)	(6,913)	8,953	20,815	31,951
Betacom (Telecom-munications & other consumer electronic products)	13,524	16,334	16,025	138	237	404	8,823	9,221	9,796
Other activities and central costs	203,689	131,202	121,023	(28,566)	(14,508)	(18,871)	213,935	140,453	107,601
Intra group turnover	(1,976)	(5,746)	(13,484)	—	—	—	—	—	—
	238,945	271,565	329,330	(26,454)	(5,155)	(14,925)	231,711	187,041	169,731

An analysis of turnover, operating loss and net assets by geographical segment for the three years ended 30th June, 1996 is as follows:

	United Kingdom			*Continental Europe*			*Group*		
	1994	*1995*	*1996*	*1994*	*1995*	*1996*	*1994*	*1995*	*1996*
	£ million	*£ million*	*£ million*	*£ million*	*£ million*	*£ million*	*£ million*	*£ million*	*£ million*
Turnover:									
Total sales	176.3	212.7	222.0	152.7	112.8	164.6	329.0	325.5	386.6
Inter-segment sales	(87.6)	(50.3)	(46.7)	(2.5)	(3.6)	(10.6)	(90.1)	(53.9)	(57.3)
Third party turnover	88.7	162.4	175.3	150.2	109.2	154.0	238.9	271.6	329.3
Net assets	191.3	153.6	149.3	40.4	33.4	20.4	231.7	187.0	169.7
Equity minority interests	(2.9)	(3.1)	(3.3)	(0.1)	—	—	(3.0)	(3.1)	(3.3)
Equity shareholders' funds	188.4	150.5	146.0	40.3	33.4	20.4	228.7	183.9	166.4
(Loss)/Profit on ordinary activities before taxation:									
Operating (loss)/ profit plus interest	(8.7)	2.0	4.9	(10.6)	0.1	(13.5)	(19.3)	2.1	(8.6)
Restructuring costs	—	—	(3.0)	—	—	(3.7)	—	—	(6.7)
Profit on disposal of fixed assets	—	0.5	—	—	0.5	0.4	—	1.0	0.4
Write-down of fixed assets	(0.1)	—	—	(0.5)	—	—	(0.6)	—	—
	(8.8)	2.5	1.9	(11.1)	0.6	(16.8)	(19.9)	3.1	(14.9)

Turnover to third parties by destination was UK £191.5 million (1995 – £154.2 million and 1994 – £84.7 million) Continental Europe £132.3 million (1995 – £109.2 million and 1994 – £140.1 million) and Rest of World £5.5 million (1995 – £8.2 million and 1994 – £14.1 million). Third party turnover consists of sales invoiced to external customers during the year excluding value added tax and other sales taxes.

2. Operating costs

	Years ended 30th June,		
	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Other operating income	3,029	1,801	1,724
Change in stocks of finished goods and work in progress	10,468	(39,248)	18,129
Raw materials and consumables	(195,943)	(165,073)	(273,022)
Other external charges	(27,546)	(24,850)	(31,229)
Staff costs	(20,518)	(30,532)	(36,062)
Depreciation and amounts written off tangible and intangible fixed assets	(4,618)	(5,942)	(7,985)
Other operating charges	(19,339)	(8,096)	(11,447)
Exceptional stock write-downs	(6,900)	(4,780)	—
Unsuccessful merger costs	—	—	(315)
Exceptional rationalisation costs	(4,032)	—	—
	(265,399)	(276,720)	(340,207)

In December 1995 Amstrad plc announced that the Amstrad Consumer Electronics business in the UK and Continental Europe was being rationalised. The costs (£4.0 million) relating to this rationalisation were included within the operating loss for the year to 30th June, 1996.

3. Restructuring costs

In addition to the above, on 1st July, 1996 Amstrad plc announced a fundamental restructuring and downsizing of the Amstrad Consumer Electronics business. The costs of this restructuring (£6.7 million) were disclosed as a non-operating exceptional item in the results for the year ended 30th June, 1996.

4. Directors' emoluments

	Years ended 30th June,		
	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Non executive directors – fees	50	50	54
Executive directors:			
Remuneration	674	828	765
Bonus payments	—	93	22
Compensation for loss of office	129	—	225
	853	971	1,066

The emoluments of all directors, excluding compensation for loss of office, fell within the following ranges:

	Years ended 30th June, 1994 £'000	1995 £'000	1996 £'000
£20,001 – £25,000	2	2	—
£25,001 – £30,000	—	—	2
£30,001 – £35,000	—	1	—
£100,001 – £105,000	1	—	—
£105,001 – £110,000	1	—	—
£115,001 – £120,000	1	1	—
£125,001 – £130,000	1	1	—
£130,001 – £135,000	—	—	1
£135,001 – £140,000	—	—	1
£140,001 – £145,000	—	—	1
£150,001 – £155,000	—	—	1
£195,001 – £200,000	—	1	—
£220,001 – £225,000	1	—	1
£225,001 – £230,000	—	2	—

Individuals' remuneration for the three years ended 30th June, 1996

The emoluments of individual directors were:

	Salaries/ Fees £'000	*Bonus payments* £'000	*Benefits in kind* £'000	*Compensation for loss of office* £'000	*1996 Total* £'000	*1995 Total* £'000	*1994 Total* £'000
Chairman:							
A. M. Sugar	195	—	27	—	222	226	222
Executive Directors:							
A. G. Dean	114	12	14	—	140	125	102
J. L. Rice	104	10	16	—	130	116	108
R. J. Watkins†	138	—	16	—	154	197	—
D. C. W Rogers†*	131	—	10	225	366	227	—
M. M. Miller†	—	—	—	—	—	30	127
B. F. J. Steiner**	—	—	—	—	—	—	244
Non-Executive Directors:							
J. E. Samson	27	—	—	—	27	25	25
M. E. Beckett	27	—	—	—	27	25	25
	736	22	83	225	1,066	971	853

†Director for part of the year ended 30th June, 1995
*Director for part of the year ended 30th June, 1996
**Director for part of the year ended 30th June, 1994

Compensation for loss of office

Mr. D. C. W. Rogers was paid £225,000 in the year ended 30th June, 1996, which represented 12 months pay, as compensation for loss of office.

Directors' interests in Amstrad plc share options

Full details of the options held by executive directors who served during the year ended 30th June, 1996 and any movements over that year are as follows:

	30th June, 1995	*Options granted during year*	*Options exercised during year*	*Options waived during year*	*30th June, 1996*	*Exercise price*	*Market price at date of exercise*	*Exercise period From*	*To*
A. G. Dean	8,644	—	—	8,644	—	324.0p	—	22nd Feb 1989	22nd Feb 1996
	9,333	—	—	9,333	-	600.0p	—	31st Oct 1989	31st Oct 1996
	12,854	—	—	12,854	—	675.0p	—	7th Mar 1991	7th Mar 1998
	70,000	—	—	—	70,000	240.0p	—	20th Nov 1992	20th Nov 1996
	30,000	—	30,000	—	—	132.5p	266.5p	16th Mar 1995	16th Mar 1999
	—	65,399	—	—	65,399	217.5p	—	27th Feb 1999	27th Feb 2006
J. L. Rice	140,000	—	—	—	140,000	240.0p	—	20th Nov 1992	20th Nov 1996
	50,000	—	—	—	50,000	132.5p	—	16th Mar 1995	16th Mar 1999
	—	2,644	—	—	2,644	217.5p	—	27th Feb 1999	27th Feb 2006
R. J. Watkins	150,000	—	—	—	150,000	142.5p	—	3rd Nov 1997	3rd Nov 2001
	—	54,598	—	—	54,598	217.5p	—	27th Feb 1999	27th Feb 2006
D. C. W. Rogers	300,000	—	300,000	—	—	137.5p	212.5p	27th Oct 1997	27th Oct 2001

The Chairman and non-executive directors do not participate in the share option schemes.

The mid-market price of the shares at 30th June, 1996 was 191.0p (1995 – 248.0p). The highest mid-market price during the year was 293.5p and the lowest mid-market price was 142.5p.

Directors' interests in Amstrad plc shares

The directors as at 30th June, 1996 had the following interests in Amstrad plc shares at 30th June, 1996 and 30th June, 1995.

	Number of ordinary shares beneficially held	
	30th June, 1995	*30th June, 1996*
A. M. Sugar	41,114,630	41,114,630
A. G. Dean	—	—
J. L. Rice	149,330	115,330
R. J. Watkins	—	—
J. E. Samson	7,000	7,000
M. E. Beckett	2,000	2,000

No changes in these interests occurred up to 3rd September, 1996. Mr A. M. Sugar's interest is largely held by Amshold Limited, a company which is wholly owned by Mr A. M. Sugar.

5. Staff costs

	Years ended 30th June, 1994 £'000	1995 £'000	1996 £'000
Wages and salaries including directors' emoluments	18,129	28,359	33,779
Social security costs	2,389	2,173	2,283
	20,518	30,532	36,062
Staff costs included in exceptional items	2,185	—	—
	No.	*No.*	*No.*
These costs were in respect of the average number of employees during the year:	787	1,111	1,350

6. Net interest

	Years ended 30th June, 1994 £'000	1995 £'000	1996 £'000
Interest receivable and similar income	7,550	7,366	6,318
Interest on investments backing loan notes	—	663	1,194
Interest payable on loan notes	—	(663)	(1,194)
Finance lease charges	(250)	—	—
Interest payable on borrowings wholly repayable within 5 years	(158)	(157)	(78)
	7,142	7,209	6,240

As part of the consideration for the purchase of Viglen Limited, a total of £22.5 million (1995 – £12.2 million, 1994 £nil) of loan notes have been issued. The loan notes are backed by a £22.5 million (1995 – £12.2 million, 1994 – £nil) deposit with Lloyds Bank Plc and carry interest at a floating rate calculated by reference to the rate at which Amstrad plc is able to earn interest on sterling deposits of an equivalent amount, taking into account the cost of the related bank guarantee.

7. (Loss)/profit on ordinary activities before taxation is after charging:

	Years ended 30th June, 1994 £'000	1995 £'000	1996 £'000
Depreciation of tangible and intangible fixed assets:			
included in operating costs: Depreciation	4,618	5,942	7,985
Exceptional rationalisation costs	1,410	—	—
included in write-down of fixed assets	627	—	—
Auditors' remuneration — audit fees	223	288	254
— non-audit fees	127	132	319
Hire of plant and machinery	198	148	176
Hire of other assets	640	876	1,173

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

	Years ended 30th June,		
	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
United Kingdom corporation tax at 33% (1995 and 1994 – 33%) based on the (loss)/profit for the year	2,035	(1,124)	(1,037)
Deferred tax	(613)	556	—
Overseas tax	(25)	(98)	—
Prior year adjustment	(20)	203	353
	1,377	(463)	(684)

The tax charge arises due to taxable profits in UK resident companies. No provision is made for any taxation which may arise if overseas subsidiaries were to distribute the balance of their reserves as no such distributions are expected to be made in the foreseeable future. There was no unprovided deferred tax liability at 30th June, 1996.

9. Dividends

	Years ended 30th June,		
	1994	*1995*	*1996*
	Pence	*Pence*	*Pence*
Interim dividend excluding related tax credit	1.0	1.0	1.25
Final dividend excluding related tax credit	1.5	1.5	1.50
	2.5	2.5	2.75

10. (Loss)/earnings per share

	Years ended 30th June,		
	1994	*1995*	*1996*
	Pence	*Pence*	*Pence*
(Loss)/earnings per share	(16.0)	2.2	(13.7)
Restructuring costs	—	—	5.5
Profit on disposal of fixed assets	—	(0.9)	(0.4)
Write-down of fixed assets	0.5	—	—
Adjusted (loss)/earnings per share	(15.5)	1.3	(8.6)

(Loss)/earnings per share is calculated by, dividing the (loss)/profit for the financial year attributable to the shareholders of Amstrad plc for the year, amounting to £16.0 million (1995 – £2.5 million profit and 1994 – £18.6 million loss) by 116.6 million ordinary shares (1995 and 1994 – 116.3 million), the average number in issue during the financial year. The dilutive effect of unexercised share options and shares to be issued on the loss per share is not material.

Adjusted (loss)/earnings per share excludes restructuring costs, the profit on disposal of fixed assets and the write down of fixed assets, and has been separately disclosed as the directors believe this figure gives a clearer indication of the Amstrad Group's operating performance.

11. Tangible fixed assets

	Freehold land and buildings £000	Plant, fixtures and fittings £000	Total £000
Cost or revaluation at 1st July, 1994	27,609	13,939	41,548
Exchange differences	483	678	1,161
Additions	682	11,861	12,543
Acquisition of subsidiary	1,872	1,808	3,680
Disposals	(15,056)	(3,356)	(18,412)
Cost or revaluation at 30th June, 1995	15,590	24,930	40,520
Exchange differences	(104)	(812)	(916)
Additions	93	8,320	8,413
Disposal of subsidiary	—	(120)	(120)
Disposals	(2,031)	(2,140)	(4,171)
Cost or revaluation at 30th June, 1996	13,548	30,178	43,726
Depreciation at 1st July, 1994	8,487	8,375	16,862
Exchange differences	197	303	500
Charged in year	424	3,818	4,242
Acquisition of subsidiaries	72	532	604
On disposals	(7,623)	(2,909)	(10,532)
Depreciation at 30th June, 1995	1,557	10,119	11,676
Exchange differences	(16)	(241)	(257)
Charged in year	357	7,628	7,985
Disposal of subsidiary	—	(96)	(96)
On disposals	(555)	(1,498)	(2,053)
Depreciation at 30th June, 1996	1,343	15,912	17,255
Net book value At 30th June, 1996	12,205	14,266	26,471
Net book value At 30th June, 1995	14,033	14,811	28,844

Freehold land and buildings includes properties valued at open market value for existing use at 30th June, 1994 of £9.2 million. If these properties were stated at historic cost they would have been included at a cost of £9.1 million and a net book value of £7.5 million (1995 – £7.6 million).

12. Investments

The following information relates to Amstrad's principal subsidiary companies which are all engaged in the Amstrad Group's principal activity:

Name of subsidiary	*Percentage of allotted equity capital owned*	*Country of incorporation and operation*
Amstrad Consumer Electronics Limited	100%	United Kingdom
Viglen Limited	100%	United Kingdom
Betacom Plc	66%	United Kingdom
Dataflex Design Communications Limited	95%	United Kingdom
Dancall Telecom A/S	100%	Denmark
Amstrad GmbH	100%	Germany
Amstrad International S.A.	100%	France
Amstrad BV	100%	Holland

Betacom Plc is listed on The London Stock Exchange. The cost of this investment at 30th June, 1996 and 30th June, 1995 was £8.1 million and its market value at 30th June, 1996 was £6.4 million (1995 – £4.6 million).

13. Stocks

	1995 *£'000*	*1996* *£'000*
Raw materials and consumables	33,855	29,347
Work in progress	3,470	3,209
Finished goods and goods for resale	26,138	44,095
	63,463	76,651

14. Debtors

	1995 *£'000*	*1996* *£'000*
Trade debtors and bills of exchange receivable	30,866	41,176
Other debtors	3,937	2,962
Prepayments	966	1,068
Overseas taxation	920	818
UK corporation tax	789	1,119
	37,478	47,143

Overseas taxation and UK corporation tax include amounts recoverable after more than one year of £0.8 million (1995 – £0.8 million), and £0.5 million (1995 – £0.5 million) respectively.

15. Investments

Investments include a £22.5 million deposit (1995 – £12.2 million) with Lloyds Bank Plc which backs the £22.5 million (1995 – £12.2 million) of loan notes held by the vendors of Viglen Limited which are included in creditors falling due within one year.

Investments also include a net £2.9 million (1995 – £nil) sterling cash deposit being the net of a £36.4 million (1995 – £nil) sterling cash deposit held by Lloyds Bank Plc which backs a £33.5 million (1995 – £nil) Danish kroner loan. The Danish kroner loan acts as a hedge against the group's investment in Dancall Telecom A/S.

16. Creditors: Amounts falling due within one year

	1995	*1996*
	£'000	*£'000*
Loan notes	12,200	22,518
Deferred purchase consideration	10,000	7,266
Contingent consideration	813	463
Bank loans and overdrafts	163	—
Trade creditors	31,741	33,886
UK corporation tax	2,589	1,305
Other taxation and social security costs	2,793	3,524
Overseas taxation	25	4
Other creditors	11,443	12,362
Accruals and deferred income	6,232	14,769
Restructuring provision	—	6,680
Dividends proposed	1,746	1,753
	79,745	104,530

The loan notes, deferred purchase consideration and contingent consideration relate to the purchase of Viglen Limited as disclosed in note 27.

17. Creditors: Amounts falling due after more than one year

	1995	*1996*
	£'000	*£'000*
Deferred purchase consideration	14,280	7,266
Contingent consideration	3,007	931
	17,287	8,197

Deferred purchase consideration and contingent consideration relate to the purchase of Viglen Limited as disclosed in note 27.

18. Called up share capital

	1995		1996	
	Ordinary Shares of 25p each		*Ordinary Shares of 25p each*	
	Shares	*£'000*	*Shares*	*£'000*
The authorised share capital comprised:	144,000,000	36,000	144,000,000	36,000
Of which the following were allotted, issued and fully paid:	116,267,892	29,067	116,402,892	29,101
At 1st July, 1995				
Shares issued	135,000	34	474,000	118
At 30th June, 1996	116,402,892	29,101	116,876,892	29,219

19. Shares to be issued

Certain of the vendors of Viglen Limited agreed to accept Amstrad plc 25p ordinary shares, at a value of 219.5p per share, as satisfaction of part of the deferred consideration for the purchase of Viglen Limited. 1,245,527 25p ordinary shares (valued at £2.73 million) were issued to the vendors in August 1996 and 1,245,527 25p ordinary shares (valued at £2.73 million) will be issued in July 1997.

20. Share premium account

	£'000	*£'000*
At 1st July, 1994/1995	17,335	17,480
Arising on issue of shares	145	575
At 30th June, 1995/1996	17,480	18,055

21. Reserves

	Revaluation reserve	*Other reserves*	*Profit and loss account*
	£'000	*£'000*	*£'000*
At 1st July, 1994	1,317	842	180,114
Loss retained for the year	—	—	(380)
Goodwill on acquisition	—	—	(51,012)
Exchange differences	—	—	756
Transfer of amount equivalent to additional depreciation on revalued assets	(27)	—	27
	1,290	842	129,505
At 1st July, 1995			
Loss retained for the year	—	—	(19,237)
Change in goodwill	—	—	1,612
Goodwill on disposal	—	—	348
Exchange differences	—	—	(659)
At 30th June, 1996	1,290	842	111,569

Goodwill written off in respect of current subsidiaries at 30th June, 1996 amounts to £53.2 million.

Change in goodwill represents the change in contingent consideration relating to the acquisition of Viglen Limited as disclosed in note 27.

22. Reconciliation of movements in shareholders' funds

	1995	*1996*
	£'000	*£'000*
Shareholders' funds at 1st July, 1995	228,675	183,938
Profit/(Loss) for financial year	2,530	(16,027)
Dividends	(2,910)	(3,210)
Goodwill on acquisition	(51,012)	—
Change in goodwill	—	1,612
Goodwill on disposal	—	348
Exchange differences	756	(659)
Shares issued in year	179	693
Shares to be issued	5,720	(252)
Shareholders' funds at 30th June, 1996	183,938	166,443

23. Future capital expenditure

	1995	*1996*
	£'000	*£'000*
Contracted for but not provided in the financial statements	100	104

24. Share option schemes

There are share option schemes for the directors and senior employees. The options outstanding under the schemes at 30th June, 1996 were as follows:

Date of grant	*Price per fully paid share*	*Normal dates of exercise*	*Directors*	*No. of Ordinary Shares Senior Employees*
20th November, 1989	240.0p	1992-1996	210,000	486,000
11th November, 1990	302.5p	1993-1997	—	56,000
13th March, 1991	317.5p	1994-1998	—	213,000
16th March, 1992	132.5p	1995-1999	50,000	100,000
28th November, 1994	142.5p	1997-2001	150,000	—
7th December, 1995	259.5p	1998-2005	—	714,754
27th February, 1996	217.5p	1999-2006	122,641	164,157

25. Contingent liabilities

As at 30th June, 1996 the vendors of Viglen Limited had a charge over 33 per cent. (1995 – 50 per cent.) of the share capital of Viglen Limited. The charge is released in equal instalments on payment by Amstrad plc of the deferred purchase consideration as disclosed in note 27.

The Amstrad Group is subject to various litigation, the financial implications of which are uncertain. On the basis of the information available the Board of Directors is satisfied that the eventual outcome of this litigation will not have any material adverse effect on the Amstrad Group.

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

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Operating loss	(26,454)	(5,155)	(14,925)
Depreciation	6,655	5,942	7,985
Profit on disposal of fixed assets	(166)	(87)	(103)
Exchange differences	(895)	1,101	(538)
Write-down of fixed assets	(627)	—	—
Goodwill written back	—	—	348
(Increase)/Decrease in stocks	(11,190)	25,111	(15,218)
Decrease/(Increase) in debtors	23,206	8,977	(10,369)
(Decrease)/Increase in creditors	(6,191)	(3,171)	15,413
	(15,662)	32,718	(17,407)

27. Acquisition and disposal of subsidiaries

On 1st July, 1994 Amstrad plc acquired the whole of the issued share capital of Viglen Limited for a consideration, valued as at 30th June, 1995, of £63.6 million. The consideration is in the form of cash, loan notes and shares. The effect of the acquisition in the year to 30th June, 1995 was to increase turnover by £93.2 million and operating profit by £11.4 million.

The book and fair value attributed to the net assets acquired as at the date of acquisition were:

	Book value £'000	*Fair value provisions £'000*	*Fair value £'000*
Tangible fixed assets	3,045	—	3,045
Current assets			
Stock	8,759	—	8,759
Debtors	10,705	—	10,705
Deferred taxation	127	—	127
Cash at bank	3,038	—	3,038
Total assets	25,674	—	25,674
Liabilities			
Trade creditors	(6,175)	—	(6,175)
Corporation tax	(3,199)	—	(3,199)
Other creditors	(1,960)	(368)	(2,328)
Accruals	(1,366)	—	(1,366)
Total liabilities	(12,700)	(368)	(13,068)
Net assets	12,974	(368)	12,606
Goodwill			51,012
			63,618

The fair value adjustment relates to warranty provisions. The purchase consideration was to be satisfied by:

	Fair value £'000
Cash and cash equivalents in the financial year to June, 1995	17,598
Loan notes issued in the year to June, 1995	12,200
Deferred consideration	24,280
Contingent consideration	3,820
Shares to be issued	5,720
	63,618

In the year ended 30th June, 1996 the contingent consideration was reduced by £1.6 million.

During the financial year to 30th June, 1996 Amstrad plc paid £10.8 million (1995 – £29.8 million) to the vendors of Viglen Limited representing deferred consideration of £10.0 million, and £0.8 million being a share of the profits before tax of Viglen Limited in excess of £9.0 million for the year ended 30th June, 1995.

The balance sheet at 30th June, 1996 includes an accrual for the remaining £20.0 million (1995 – £30.0 million) of deferred purchase consideration of which £7.3 million (1995 – £10.0 million) is included in creditors falling due within one year, £7.3 million (1995 – £14.3 million) is included within creditors falling due after more than one year and £5.4 million (1995 – £5.7 million), being shares to be issued, is included in equity shareholders' funds. In addition, in the first three years following completion, the vendors share in a proportion of the profits before tax of Viglen Limited and the balance sheet includes an accrual of £1.4 million (1995 – £3.8 million) for this contingent consideration, of which £0.5 million (1995 – £0.8 million) is included as a creditor falling due within one year and the balance is shown as a creditor failing due after more than one year.

In April 1996 Amstrad plc sold its 51 per cent. shareholding in Amstrad Hellas SA. The cash flow effect of the disposal was not material to Amstrad plc.

28. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Cash at bank and in hand	137,897	142,088	106,792
Bank overdrafts	(154)	(163)	—
	137,743	141,925	106,792

Two subsidiary companies have given a specific charge over their cash, the amount of the charge being limited to the value of documentary creditors and other credit lines made available at any time.

29. Analysis of changes in cash and cash equivalents during the year

	1994	*1995*	*1996*
	£'000	*£'000*	*£''000*
Balance at beginning of the financial year	167,060	137,743	141,925
Net cash (outflow)/inflow before adjustment for the effect of exchange differences	(29,530)	3,714	(34,832)
Exchange differences	213	468	(301)
Balance at the end of the financial year	137,743	141,925	106,792

30. Operating lease obligations

At 30th June, 1995 and 30th June, 1996 the Amstrad Group had annual commitments under operating leases relating to land and buildings as follows:

	1995	*1996*
	£'000	*£'000*
Expiring within one year	71	6
Expiring between two and five years inclusive	877	815
Expiring in over five years	75	152
	1,023	973

31. Post balance sheet events

On 1st April, 1997 Amstrad plc announced that it had entered into an agreement for the sale, conditional on its shareholders' approval and an unconditional clearance from the Bundeskartellamt, of Dancall Telecom A/S for a consideraton of US$150 million (approximately £92 million). The agreement became unconditional and was completed on 30th April, 1997.

On 9th May, 1997, Amstrad plc was awarded £57.6 million in its legal action against Seagate Technology Inc., which was commenced in London in 1992. There will be a further hearing to determine interest and costs. Amstrad plc has submitted calculations to the Court indicating that in aggregate, the damages award should exceed £100 million. The award may be subject to appeal and would be a taxable receipt for Amstrad plc.

On 4th June, 1997, Amstrad plc completed the sale of its business of trading in domestic satellite receiving equipment and electronic and electrical goods for the consumer market to Betacom Plc for a consideration of £6.5 million satisfied by the issue of 9,489,051 new ordinary shares in Betacom Plc.

On 3rd June, 1997 it was announced that proposals would be put to shareholders in Amstrad plc for the reconstruction of the Amstrad Group by way of the acquisition of the entire issued share capital of Amstrad plc by the Company, which has not yet traded. Under the proposals, shareholders would receive in exchange for each share in Amstrad plc one ordinary share in the Company, 163p nominal value of loan notes, a proportion of Amstrad plc's shares in Betacom Plc and a letter of entitlement providing a right to participate *pro rata* with other shareholders in the net proceeds of litigation brought by Amstrad plc against Seagate Technology Inc. and Western Digital Corporation. If the proposals are implemented Amstrad plc would become a subsidiary of the Company and Betacom Plc would cease to be a subsidiary of Amstrad plc.

Yours faithfully

Deloitte & Touche
Chartered Accountants

Part 8 – Interim statement of Amstrad Group for the six months to 31st December, 1996

Set out below is the text of the interim statement for the six months to 31st December, 1996 issued by Amstrad on 11th February, 1997:

"Chairman's Statement

Financial Review

Sales for the six months to 31st December, 1996 were £154.1 million (1995 – £162.1 million), with an operating profit of £1.9 million (1995 – loss £8.8 million).

In the last annual report we announced a fundamental restructuring plan for Amstrad Consumer Electronics Limited ("ACE") involving Betacom Plc taking on certain ACE UK activities together with a significant downsizing of European activities.

The restructuring is being undertaken in an orderly way to maximise value of ACE inventory where remaining levels have been significantly reduced in the period to the end of December 1996.

To achieve this we have had to continue operating ACE's European activities longer than anticipated and this, together with a lower than expected contribution, has meant further costs being provided for in respect of the whole financial year. The Benelux operation stopped trading at the end of December and the French operation ceased at the end of January.

The Board of Directors recommend a maintained interim dividend of 1.25p (1995 – 1.25p) per ordinary share to be paid on 11th April, 1997 to shareholders on the register as at 21st February, 1997.

The net cash balance at 31st December, 1996 of £112.4 million (1995 – £91.2 million) reflects a net cash inflow from operating activities in the period of £12.6 million, mainly due to the impact of inventory reduction in ACE and Dancall, and a further payment of £7.7 million relating to the acquisition of Viglen.

We continue to examine options to return value to shareholders.

Operating Review

Dancall's sales have improved during the period to £45.4 million (1995 – £38.1 million) and include for the first time a contribution from its European activities. Trading in the last quarter of the period was profitable. The outlook is bright with volumes and margins firming up.

Viglen has maintained its operating profit of £4.7 million (1995 – £4.7 million) despite lower sales of £47.5 million (1995 – £50.8 million). Viglen achieved higher unit volumes than last year although the market in the period has experienced significantly lower component costs leading to lower average selling prices and revenue per unit. Viglen has performed well to maintain its profits in this environment.

Betacom reports for the first time the impact of the ACE UK activities on its results. Sales in the period grew to £24.9 million from £6.9 million last year with an operating profit of £1.3 million (1995 – £0.2 million). The outlook for the second half is positive with plans to diversify the product range.

Part 8 – Interim statement of Amstrad Group for the six months to 31st December, 1996 continued

Outlook

The transfer of ACE activities into Betacom Plc has been completed and the ACE restructuring is well under way. The risks of further losses from the restructuring of ACE are dependent on any further price erosion, but the level of provisions taken represents a realistic view on realising inventory value from orderly trading.

Completion of the ACE restructuring will focus the Group firmly on the technology businesses of Dancall and Viglen and entry into the digital set top box market.

As previously reported, the hearing of the company's claim against Seagate Technology Inc. was completed in July 1996. However, judgement is still awaited.

AM Sugar
Chairman

11th February, 1997

Part 8 – Interim statement of Amstrad Group for the six months to 31st December, 1996 continued

Consolidated profit and loss account

	Note	*6 Months ended 31.12.96 (unaudited) £000*	*6 Months ended 31.12.95 (unaudited) £000*	*Year ended 30.6.96 £000*
Turnover	2	154,054	162,052	329,330
Operating profit/(loss) before exceptional items		1,909	(4,738)	(10,877)
Exceptional operating costs		—	(4,048)	(4,048)
Operating profit/(loss)	2	1,909	(8,786)	(14,925)
Restructuring costs	3	(6,402)	—	(6,680)
Profit on disposal of fixed assets		—	—	420
Loss on ordinary activities before interest		(4,493)	(8,786)	(21,185)
Net interest		2,710	3,389	6,240
Loss on ordinary activities before taxation		(1,783)	(5,397)	(14,945)
Tax on loss on ordinary activities	4	(1,040)	802	(684)
Loss on ordinary activities after taxation		(2,823)	(4,595)	(15,629)
Equity minority interests		(367)	(23)	(398)
Loss attributable to equity members		(3,190)	(4,618)	(16,027)
Dividends paid and proposed		(1,477)	(1,457)	(3,210)
Retained loss		(4,667)	(6,075)	(19,237)
Statement of total recognised losses				
Loss for the financial period		(3,190)	(4,618)	(16,027)
Exchange differences		(2,526)	(39)	(659)
Total losses recognised for the financial period		(5,716)	(4,657)	(16,686)

Part 8 – Interim statement of Amstrad Group for the six months to 31st December, 1996 continued

Consolidated balance sheet

	Note	*As at 31.12.96 (unaudited) £000*	*As at 31.12.95 (unaudited) £000*	*As at 30.6.96 £000*
Fixed assets		22,829	31,117	26,471
Current assets				
Stocks		57,607	89,004	76,651
Debtors		46,722	69,437	47,143
Investments	6	17,793	24,891	25,401
Cash at bank and in hand		112,448	91,364	106,792
		234,570	274,696	255,987
Creditors: amounts falling due within one year		(93,968)	(115,956)	(104,530)
Net current assets		140,602	158,740	151,457
Total assets less current liabilities		163,431	189,857	177,928
Creditors: amounts falling due after more than one year		—	(8,643)	(8,197)
		163,431	181,214	169,731
Capital and reserves				
Equity shareholders' funds	9	159,749	178,088	166,443
Equity minority interests		3,682	3,126	3,288
		163,431	181,214	169,731
Dividends per share (net) – interim/total		1.25p	1.25p	2.75p
Loss per share	5	(2.7p)	(4.0p)	(13.7p)
Adjusted earnings/(loss) per share	5	2.4p	(4.0p)	(8.6p)

Part 8 – Interim statement of Amstrad Group for the six months to 31st December, 1996 continued

Consolidated cash flow statement

	Note	*6 Months ended 31.12.96 (unaudited)* £000	*6 Months ended 31.12.95 (unaudited)* £000	*Year ended 30.6.96* £000
Net cash inflows/(outflows) from operating activities		12,551	(33,514)	(17,407)
Return on investments and servicing of finance		2,740	3,731	6,369
Taxation		(367)	(450)	(2,067)
Capital expenditure and financial investment		1,438	(8,152)	(8,655)
Acquisitions and disposals	7	(7,729)	(10,813)	(10,562)
Equity dividends paid		(1,772)	(1,746)	(3,203)
Financing		99	264	693
		6,960	(50,680)	(34,832)

Reconciliation of net cash flow to movement in net cash		£000	£000	£000
Increase/(decrease) in net cash		6,960	(50,680)	(34,832)
Exchange differences		(1,304)	(22)	(301)
Movement in net cash in the period		5,656	(50,702)	(35,133)
Net cash at 1st July, 1996		106,792	141,925	141,925
Net cash at 31st December, 1996	8	112,448	91,223	106,792

Notes to the interim financial statements

1. Basis of preparation of the interim financial statements

The consolidated profit and loss account, balance sheet and cash flow statement have been prepared on a basis consistent with the financial statements for the year ended 30th June, 1996. The turnover and operating profit all relate to continuing operations.

The results for the year ended 30th June, 1996 are extracts from the published financial statements. A copy of the full financial statements for that year, on which the Auditors have issued an unqualified report, has been delivered to the Registrar of Companies.

2. Turnover and operating profit

	Turnover			*Operating profit/(loss)*		
	Half year Dec 96	*Half year Dec 95*	*Year June 96*	*Half year Dec 96*	*Half year Dec 95*	*Year June 96*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Viglen (Computers, peripherals & software)	47.5	50.8	106.0	4.7	4.7	10.5
Dancall (Mobile & cordless phones & pagers)	45.4	38.1	99.8	(2.0)	(3.3)	(6.9)
Betacom (Telecommunication & other consumer electronic products)	24.9	6.9	16.0	1.3	0.2	0.4
Other activities and central costs	37.3	73.3	121.0	(2.1)	(10.4)	(18.9)
Intra group turnover	(1.0)	(7.0)	(13.5)			
	154.1	162.1	329.3	1.9	(8.8)	(14.9)

Turnover of other activities principally represents the Amstrad Consumer Electronics business which has been fundamentally restructured with the UK business transferred to Betacom. The losses arising from the restructuring of Amstrad Consumer Electronics are disclosed in the Profit and Loss Account as restructuring costs. The other activities operating loss principally represents central costs.

3. Restructuring costs

Restructuring costs of £6.4m (December 1995 £nil million) relate to a provision for additional losses arising from the fundamental restructuring and downsizing of the Amstrad Consumer Electronics business. In the financial year ended 30th June, 1996 rationalisation and restructuring costs of £10.7m, were incurred in relation to this business, of which £4.0m was included in the operating loss for that year and £6.7m was disclosed as a non-operating exceptional item.

4. Taxation

Taxation for the half-year ended 31st December, 1996 is based on the effective rate which is estimated will apply in the year ending 30th June, 1997. The tax charge arises due to taxable profits in UK resident companies.

5. Loss per share and adjusted earnings per share

The loss per share is based on the loss for the financial period attributable to the shareholders of Amstrad plc and the average number of shares in issue during the financial period. The dilutive effect of unexercised share options and shares to be issued on the loss per share is not material. Adjusted earnings per share excludes non-operating restructuring costs and the profit on disposal of fixed assets, and has been separately disclosed as the directors believe this figure gives a clearer indication of the group's operating performance.

6. Investments

Investments include a £14.2 million deposit (December 1995 £22.5 million) with Lloyds Bank plc which backs the £14.2 million (December 1995 £22.5 million) of loan notes held by the vendors of Viglen Limited which are included in creditors falling due within one year.

Investments also include a net £3.6 million (December 1995 £2.4 million) sterling cash deposit being the net of a £22.9 million (December 1995 £47.7 million) sterling cash deposit held by Lloyds Bank plc which backs a £19.3 million (December 1995 £45.3 million) Danish Kroner loan. The Danish Kroner loan acts as a hedge against the group's investment in Dancall Telecom A/S.

7. Acquisitions and disposals

The cash flow relating to acquisitions and disposals represents the payment of £7.7 million (December 1995 £10.8 million) to the vendors of Viglen Limited.

8. Net cash

Net cash of £112.4 million (December 1995 £91.2 million) is made up of cash at bank and in hand of £112.4 million (December 1995 £91.3 million) less an overdraft of £nil million (December 1995 £0.1 million).

Part 8 – Interim statement of Amstrad Group for the six months to 31st December, 1996 continued

9. Reconciliation of movements in shareholders' funds

	£m
Shareholders' funds at 1st July, 1996	166.4
Loss for financial period	(3.2)
Dividends	(1.5)
Change in goodwill	0.5
Exchange differences	(2.5)
Shareholders' funds at 31st December, 1996	159.7

10. Interim statement

The interim statement will be posted to shareholders on 21st February, 1997. Members of the public may obtain copies from the Company's registrars.

Review Report by the Auditors to Amstrad

We have reviewed the interim financial information for the six months ended 31st December, 1996 which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the bulletin "Review of Interim Financial Information", issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of Group management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities, and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by Amstrad in its financial statements for the year ended 30th June, 1996.

- we are not aware of any material modifications that should be made to the interim financial information as presented.

Deloitte & Touche
Chartered Accountants
11th February, 1997

Hill House
1 Little New Street
London EC4A 3TR"

Part 9 – Pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Group is provided for illustrative purposes only and because of its nature it cannot give a complete picture of the financial position of the Group. Its purpose is to illustrate the effect on the net assets of the Group of the Scheme. It is based on the unaudited pro forma statement of the net assets of the Amstrad Group set out in the circular to the shareholders of Amstrad dated 2nd April, 1997.

	Pro forma from the circular for the sale of Dancall	*Adjustments*		
		Deconsolidation of Betacom	*Other Adjustments*	*Pro forma*
	£000	*£000*	*£000*	*£000*
Fixed assets				
Tangible assets	14,444	549	—	13,895
Current assets				
Stocks	30,059	3,666	—	26,393
Debtors	36,560	3,505	—	33,055
Investments	17,793	—	—	17,793
Cash at bank and in hand	194,528	3,871	5,024	195,681
	278,940	11,042	5,024	272,922
Creditors: amounts falling due within one year				
Vendor loan notes	(14,159)	—	—	(14,159)
Loan Notes	—	—	(199,359)	(199,359)
Letters of Entitlement to Litigation Notes	—	—	(2,300)	(2,300)
Other creditors	(21,596)	(1,795)	—	(19,801)
	(35,755)	(1,795)	(201,659)	(235,619)
Net current assets/(liabilities)	243,185	9,247	(196,635)	37,303
Total assets less current liabilities	257,629	9,796	(196,635)	51,198
Minority interests	(3,682)	(3,682)	—	—
Net assets attributable to shareholders	253,947	6,114	(196,635)	51,198

Notes:

1. The pro forma statement of net assets does not reflect any trading results or cash flows of the Amstrad Group since 31st December, 1996.
2. The pro forma figures from the circular for the sale of Dancall have been extracted from the unaudited statement of the net assets of the Amstrad Group as at 31st December, 1996 as adjusted for the sale of Dancall and associated cash proceeds as set out in the circular to the shareholders of Amstrad plc dated 2nd April, 1997.
3. The Betacom figures, with the exception of the minority interest, have been extracted from the audited balance sheet of Betacom as at 30th June, 1996. The minority interest has been extracted from the unaudited pro forma statement of net assets included in the circular for the sale of Dancall.
4. The other adjustments represent the issue of Loan Notes and Letters of Entitlement to Amstrad shareholders and cash received from the exercise of options. In calculating the financial effect of issuing the Loan Notes, it has been assumed that all outstanding options are exercised prior to the implementation of the Scheme.
5. No account has been taken of transaction costs or the effects of taxation in relation to the Scheme or the sale of Dancall.
6. The vendor loan notes represent amounts payable to the vendors of Viglen under the deferred consideration and earn-out provisions of the purchase agreement.

Part 10 – Description of the Scheme

The Scheme has been proposed in order that Amstrad should become a wholly owned subsidiary of Viglen Technology in exchange for the issue, to Amstrad shareholders, of shares and loan notes of Viglen Technology, and the transfer to those shareholders of Amstrad's shareholding in Betacom.

Under the Scheme, each of the Amstrad Shares is sub-divided into one A Ordinary Share and one B Ordinary Share. The A Ordinary Shares are either cancelled (in which case an equivalent number of new A Ordinary Shares is issued to Viglen Technology) or transferred to Viglen Technology. All the B Ordinary Shares are transferred to Viglen Technology. In consideration of the cancellation and transfer of the A Ordinary Shares and the B Ordinary Shares the Amstrad shareholders will be issued in aggregate up to 122,285,668 ordinary shares in Viglen Technology and up to approximately £200 million nominal amount of Loan Notes. In addition, they will receive Amstrad's holding of Betacom Shares, which under the Scheme will be transferred to Viglen Technology, *pro rata* to their holdings of Amstrad Shares, and the right to participate in any net proceeds received from the Seagate and Western Digital litigation proceedings described in paragraph 13 of Part 11 of this document.

The Scheme is conditional on:-

1. approval by a majority in number, representing 75 per cent. in value, of the Amstrad shareholders present and voting, in person or by proxy, at the Meeting convened by the Court to approve the Scheme;

2. a special resolution being duly passed by Amstrad in order to implement the Scheme;

3. the Scheme being sanctioned, and the reduction of capital comprised in it being confirmed, by the Court, the delivery to the Registrar of Companies for registration of an office copy of the Court Order sanctioning the Scheme and confirming the reduction of capital comprised in it and the issue of the certificate of registration by the Registrar of Companies in respect of that reduction;

4. permission being granted for the ordinary shares to be admitted to the Official List and such permission not having been withdrawn prior to the date on which the Scheme becomes effective.

The necessary meetings of Amstrad shareholders have been convened for 30th June, 1997. Assuming that the necessary resolutions are passed, it is anticipated that the Court hearing will take place on 30th July, 1997 and that the ordinary shares in the Company will be admitted to listing, and dealings in them will commence on the London Stock Exchange, on 4th August, 1997.

On implementation of the Scheme, as well as issuing new ordinary shares and transferring Amstrad's Betacom Shares to Amstrad shareholders, the Company will create and issue up to approximately £200 million nominal of Loan Notes, which will be repayable, at the option of the holders, between 1st March, 1998 and 1st September, 2000. The Loan Notes will be guaranteed by Lloyds Bank Plc and the guarantee will be secured by a deposit, with that bank, of cash equal to the nominal amount of the Loan Notes. The Loan Notes will carry interest at 0.5 per cent less than the rate at which Lloyds Bank Plc offers to pay interest on Sterling deposits of an equivalent amount.

In addition it is intended that Amstrad shareholders should receive letters of entitlement to Litigation Notes to be issued as and when the net proceeds of the Litigation have been established. A Trust Deed will be entered into by the Company, Amstrad and Mr AM Sugar, Mr JE Samson and Mr PLO Leaver QC as trustees to constitute the Letters of Entitlement. The Trust Deed will provide that the conduct of the Litigation will be controlled by the independent trustees. As part of the proposals, there is being left in Amstrad a sum of £2.3 million in order to fund the conduct of the Litigation. Neither the trustees nor Amstrad will have any further call on the Company or any of its subsidiaries (including Amstrad) for further funding in relation to the Litigation but the trustees will have power to raise further funds if required to carry on the Litigation. The trust deed will contain restrictions on the Company's ability to transfer any shares in Amstrad and provisions enabling trustees to exercise the voting rights attaching to those shares in the event of a change of control of the Company.

It is not known when the net proceeds of the Litigation will be determined and the Litigation Notes issued. It is possible that there may be two series of such Litigation Notes issued, depending upon when one or other of the cases is concluded. Any Litigation Notes issued will be repayable over a period of some three years from the date of their issue and will carry interest less administration and other costs at a rate intended to match that at which the relevant cash deposits will themselves carry interest. Such Litigation Notes may be guaranteed against a cash deposit on similar terms to those set out above.

Part 11 – Additional information

1. Responsibility statement

The Directors of Viglen Technology plc, whose names appear in Part 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Viglen Technology plc

The Company was incorporated as a public limited company in England and Wales with registration number 3337575 on 21st March, 1997 under the Act with the name Secureforecast Public Limited Company. It was a shelf company. The Company's name was changed to Viglen Technology plc on 27th May, 1997. The Company's registered office and principal place of business is situated at Viglen House, Alperton Lane, Alperton, Middlesex HA0 1DX. The principal legislation under which the Company operates is the Act and the regulations made thereunder.

3. Share capital

(a) The authorised share capital and the expected maximum issued share capital of the Company (all of which will be, or be credited as, fully paid-up) immediately following the Introduction will be as follows:

Authorised			*Expected maximum issued share capital*	
Number	*Amount*		*Number*	*Amount*
176,000,000	£17,600,000	ordinary shares of 10p each	122,285,668	£12,228,567

(b) (i) On incorporation, the Company had an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each.

(ii) By an Ordinary Resolution passed on 4th June, 1997 the authorised share capital of the Company was increased to £17,600,000 by the creation of 17,500,000 new ordinary shares and each of the 17,600,000 shares of £1 was subdivided into 10 ordinary shares of 10p each.

(iii) By an Ordinary Resolution passed on 4th June, 1997 the Directors were given general and unconditional authority pursuant to Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of sub-section 2 of the said section 80) up to an aggregate nominal amount of £16,400,000 with such authority to expire on the day following the 1998 annual general meeting of the Company. Assuming that 122,285,668 ordinary shares are issued pursuant to the Scheme, the Directors will have authority to allot a further 41,714,332 ordinary shares representing 34.1 per cent. of the then issued share capital of the Company.

(iv) By a Special Resolution passed on 4th June, 1997, the Directors were empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of sub-section (2) of Section 94 of the Act), pursuant to the authority conferred on them pursuant to Section 80 of the Act, as if Section 89 of the Act did not apply to any such allotment, provided such allotment is limited to the allotment of equity securities in connection with an issue by way of rights and other allotments of equity securities up to an aggregate nominal value of £611,428.

(c) On the basis of the information available to them as at 4th June, 1997 (the latest practicable date before the publication of this document), the Directors are not aware that there will, immediately following Admission, be any interests, held directly or indirectly, in the issued share capital of Viglen Technology which will or may amount to three per cent. or more of Viglen Technology's then issued share capital save as set out below:

Name	*Viglen Technology shares*	*Percentage holding of issued share capital*
Amshold Limited and A M Sugar	41,114,630	33.6
Shell Pension Trust Limited	5,631,500	4.6
Goldman Sachs Equity Securities (UK)	5,080,000	4.2

Percentages given above assume the maximum issued share capital is as set out in 3 (a) above.

(d) Save pursuant to the Scheme and for the issue of two subscriber shares at £1 each for cash at par, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.

(e) As at 4th June, 1997, options to subscribe for 2,824,722 shares in Amstrad were outstanding under Amstrad's share option schemes. These options will all be exercisable with effect from the Court Hearing sanctioning the Scheme and will lapse six months thereafter. Any shares allotted and issued pursuant to such options prior to the Effective Date of the Scheme will be cancelled or transferred to Viglen Technology under the terms of the Scheme. Any shares allotted and issued pursuant to such options after the Effective Date will be transferred to Viglen Technology in exchange for the issue by Viglen Technology of ordinary shares and Loan Notes (on the same terms as under the Scheme) and the payment of a balancing amount, in cash, calculated by reference to the difference between the value of those ordinary shares and Loan Notes and the market price of an Amstrad share on the last day of dealings in Amstrad shares. No further options will be issued under the Amstrad share option schemes if the Scheme becomes effective.

Save as disclosed above and other than pursuant to the employee share schemes described in paragraph 8 below, no share capital in the Company or any other member of the Group will, following the Introduction, be under option or have been agreed, conditionally or unconditionally, to be put under option.

(f) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the authorised but unissued ordinary share capital of the Company on admission of the ordinary shares to the Official List, except to the extent disapplied by the resolution referred to at paragraph 3(b)(iv) above.

(g) The first annual general meeting of the Company is proposed to be held in November, 1997 for the purposes of considering the Company's accounts and the reports of the Directors and Auditors for the period to 30th June, 1997 (during which it did not trade), re-appointing Deloitte & Touche as auditors of the Company, authorising the Directors to fix the remuneration of the auditors and re-appointing all the Directors as Directors of the Company.

Part 11 – Additional information continued

4. Subsidiary undertakings and associated undertakings

Immediately following implementation of the Scheme, Viglen Technology will be the holding company of the Group. The principal subsidiary undertakings and associated undertakings of Viglen Technology will be as follows:

Name	*Registered office*	*Principal activities*	*Attributable to the Group %*
Viglen	Viglen House Alperton Lane Alperton Middlesex HA0 1DX	manufacturing and marketing of computers, peripherals and software	100
Amstrad	Brentwood House 169 Kings Road Brentwood Essex CM14 4EF	pursuing ongoing litigation	100
Dataflex	Chancery House St Nicholas Way Sutton Surrey SM1 1JB	design, manufacture and distribution of modem products	96

5. Memorandum and articles of association

(a) Memorandum

The memorandum of association of the Company (the "Memorandum") provides that the Company's principal objects are to act as, and to perform the functions of, a holding company; and to carry on any other business or activity which the Directors consider is, or may be, capable of being carried on directly or indirectly for the benefit of the Company. The objects of the Company are set out in full in paragraph 4 of its Memorandum, which is available for inspection at the address specified in paragraph 19 below.

(b) Articles of association

The articles of association of the Company (the "Articles") contain, amongst other things, provisions to the following effect:

(i) Rights attaching to shares

(a) Voting rights

At a general meeting of the Company, on a show of hands every member present in person (or if a corporation by a representative) will have one vote and on a poll every member present in person or by proxy will have one vote for every share of which he is the holder (subject to any disenfranchisement of a member in the event of non-payment of any calls or other sums presently payable in respect of any shares of the Company, or of non-compliance with a statutory notice requiring him to give particulars of any interest in such shares).

(b) Dividends

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends.

If any share is issued on terms that it ranks for dividend as from a particular date, it will rank for dividend accordingly. In any other case dividends are to be apportioned and paid proportionately to the amounts paid up during the dividend period.

All dividends unclaimed for a period of 12 years after the date they were due to be paid will be forfeited and will revert to the Company if the Directors so resolve.

The Directors may with the authority of an ordinary resolution of the Company direct that a dividend be satisfied wholly or partly by the distribution of assets and where any difficulty arises in regard to a distribution the Directors may settle the same as they think fit.

The Directors may, subject to certain provisions and with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the Directors) of any dividend specified by the ordinary resolution.

Subject to the provisions of the Act, the Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.

(c) Capitalisation of profits

The Directors may with the authority of an ordinary resolution of the Company resolve to capitalise any profits of the Company or any sum standing to the credit of any reserve fund of the Company (including any share premium account or capital redemption reserve).

Sums resolved to be capitalised will be appropriated to the members in proportion to the nominal amounts of the shares held by them and will be applied on their behalf either towards paying up the amounts, if any, for the time being unpaid on their shares or in paying up in full unissued shares or debentures of the Company. The shares or debentures credited as fully paid will be allotted to those members or as they may direct, in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserve and any profits which are not available for distribution may only be applied in paying up unissued shares to be allotted to members credited as fully paid.

When two or more persons are the holders of a share or are jointly entitled to it, the dividend will be sent to the registered address of the person who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct. Any joint holder or other person jointly entitled to a share may give a receipt for any dividend.

(d) Distribution of assets on a winding-up

If the Company is wound up the liquidator may, with the authority of an extraordinary resolution and any other sanction required by law, divide among the members *in specie* or in kind the whole or part of the assets of the Company. He may for that purpose set such value as he deems fair upon any one or more classes of property and may determine how the division is carried out as between the members of different classes of members. He may with the same authority vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the same authority thinks fit, but no member shall be compelled to accept any shares in respect of which there is a liability.

(e) Variation of rights

The rights attached to any class of share may be varied, either with the consent in writing of the holders of three-quarters of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

(f) Alteration of capital

The Company may by ordinary resolution increase its capital, consolidate and divide all of its share capital into shares of a larger amount than its existing shares, sub-divide its shares into shares of a smaller amount than is fixed by its memorandum, determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others and cancel shares which, at the date of the passing of the resolution, have not been taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to the provisions of the Act, the Company may by special resolution reduce its capital redemption reserve and any share premium account, in any way.

Subject to the provisions of the Act, the Company may purchase its own shares including redeemable shares.

(ii) Untraced shareholders

The Company may sell the shares of a member (or a person entitled on the death or bankruptcy of a member) after a period of three months has elapsed following the publication of an advertisement in each of a national daily newspaper and an appropriate local newspaper during which the Company has received no communication from the member or person provided that, for a period of 12 years prior to the publication of the advertisements, at least three dividends have been payable and all warrants and cheques in respect of the shares have remained uncashed.

(iii) Transfer of shares

Shares may be transferred by a transfer in writing in any usual or common form or in such form as shall be approved by the Directors and shall be executed by or on behalf of the transferor and, where the shares are not fully paid, by or on behalf of the transferee.

The Directors may, in their absolute discretion and without assigning any reason, decline to register a transfer of shares in certificated form which are not fully paid provided that where such shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class on an open and proper basis. They may also refuse to register a transfer of shares in certificated form unless the instrument of transfer is:

(a) lodged, duly stamped, at the correct location and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the shares) is accompanied by the certificate for the shares and such other relevant evidence as to title as the Directors require;

(b) in respect of only one class of share; and

(c) in favour of not more than four transferees.

The Directors may refuse to register a transfer of shares in uncertificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations to register the transfer. They may also refuse to register any such transfer in favour of more than four transferees.

If the board refuses to register a transfer, it must send notice of the refusal to the transferee within two months after the transfer has been lodged with the Company (in the case of shares in certificated form) or the date on which the operator-instruction was received by the Company (in the case of shares in uncertificated form).

(iv) Restrictions on shares

If a member, or any other person appearing to be interested in shares held by that member, has been given a notice under section 212 of the Act and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within 14 days from the date of giving the notice then, unless the Directors otherwise determine, the member will not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to such meeting or poll.

Where the default shares represent at least 0.25 per cent. of the issued shares of their class:

(a) any dividend payable in respect of each of the default shares will be withheld by the Company without any liability to pay interest when the dividend is paid to the member and the member will not be entitled to elect to receive shares instead of that dividend; and

(b) no transfer, other than excepted transfer, of any shares held in certificated form will be registered unless the member is not himself in default as regards supplying the information required, and the member proves to the satisfaction of the Directors that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

These sanctions will cease to have effect at the end of the period of seven days (or such shorter period as the directors may determine) following the earlier of:

(a) receipt by the Company of the information required by the notice; and

(b) receipt by the Company of notice that the shares have been transferred by means of an excepted transfer,

and the Directors may suspend or cancel any of the sanctions at any time in relation to any shares.

(v) Directors

(a) Unless and until otherwise determined by the Company by ordinary resolution the number of Directors (disregarding alternate Directors) will not be less than two but will not be subject to any maximum.

(b) Unless otherwise determined by the Company by ordinary resolution, there will be paid to the Directors (other than alternate Directors) for their services in the office of Director as the Directors may determine fees, not exceeding in aggregate an annual sum of £200,000 or such larger amount as the Company may by ordinary resolution decide, divided between the Directors as they may determine or, failing such a determination, equally. The fees will be deemed to accrue from day to day and will be distinct from and additional to any remuneration or other benefits which may be paid or provided to any Director pursuant to any other provision of the Articles.

The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of their duties as Directors.

(c) Any Director who performs, or undertakes to perform, services which the Directors consider go beyond the ordinary duties of a director may be paid such special remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the Directors may determine.

(d) No shareholding qualification for Directors is required but each Director may attend and speak at any general meeting.

(e) The Directors may appoint one or more of their number to the office of chief executive or to any other executive office and, subject to the provisions of the Act, any such appointment will be for such term, at such remuneration and on such other conditions as the Directors think fit. Any such appointment will terminate if he ceases to be Director but without prejudice to any claim for breach of contract.

(f) Subject to the provisions of the Act, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director, notwithstanding his office:

(i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(iii) will not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate; and no such transaction or arrangement will be liable to be avoided on the ground of such interest or benefit.

(g) A general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested will be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified. An interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge will not be treated as an interest of his.

(h) A Director may not vote at a meeting of the Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company), unless his interest arises only because the case falls within one or more of the following sub-paragraphs:

(i) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiary undertakings;

(ii) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(iii) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Company for subscription, purchase or exchange;

(iv) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes;

(v) the resolution relates to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings, including but without being limited to an employees' share scheme, which does not accord to any Director any privilege or advantage not generally accorded to the employees to whom the arrangement relates;

(vi) the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of that company and not entitled to exercise one per cent. or more of the voting rights available to members of the relevant company; or

(vii) the resolution relates to the purchase or maintenance for any Director or Directors of insurance against any liability.

For the purposes of the above, an interest of any person who is for any purpose of the Act connected with a Director shall be taken to be the interest of that Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise.

Where proposals are under consideration concerning the appointment (including the fixing or varying of terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, the proposals may be divided and considered in relation to each Director separately and, provided he is not precluded from voting by the Articles or otherwise, each of the Directors concerned may vote and count in the quorum in respect of each resolution except that concerning his own employment.

(i) At every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not a multiple of three, the number then nearest to one third will retire from office. If there is only one Director who is subject to retirement by rotation, he will retire. A Director retiring at a meeting will retain office until the close of the meeting.

The Directors to retire on each occasion will be those who have been longest in office since their last election but, as between persons who become or were elected directors on the same day, those to retire will (unless they otherwise agree among themselves) be determined by lot.

A Director who retires at an annual general meeting may be reappointed.

Subject to the provisions of the Articles, the Company at the meeting at which a Director retires may elect a person to fill the vacated office. In default, the retiring Director will, if willing to continue to act, be deemed to have been re-elected, unless at the meeting it is expressly resolved not to fill the vacated office or unless a resolution for the re-election of the Director has been put to the meeting and lost.

No person other than a Director retiring at the meeting will be appointed or reappointed a Director at any general meeting, unless recommended by the Directors, or unless a member has given the requisite notice of his intention to propose that person for election and that person has declared his willingness to be elected.

The Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director, and may also determine the rotation in which any additional Directors are to retire.

No Director shall be requested to retire by reason of age. However the Directors shall give notice of the age of any Director in the notice convening the meeting at which it is proposed that such Director be appointed or re-appointed if such Director is over 70 years of age.

The Directors may appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors does not exceed the maximum number (if any) fixed by or in accordance with the Articles. The Director will hold office only until the next following annual general meeting and shall then be eligible for re-election. A Director who retires under this provision will not be taken into account in determining the Directors who are to retire by rotation at the meeting.

The Company may, by extraordinary resolution, remove a Director before the expiry of his period of office (but such removal will be without prejudice to any claim for damages for breach of any contract of service between the Director and the Company), and may by an ordinary resolution appoint another person in his place. The person who is appointed will be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

The office of a Director will be vacated where he ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director; becomes bankrupt or makes any composition with his creditors; is or may be suffering from a mental disorder and is subject to a mental health application for admission to hospital or court order; resigns his office by notice in writing to the Company; holds any executive office, such appointment terminates or expires and the Directors resolve his office be vacated; is absent for more than six consecutive months without permission from Board meetings and the Directors so resolve; or where all of the other Directors request him to resign.

(j) Borrowing powers

The Directors will restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate principal amount outstanding of all money borrowed by the Group (excluding certain amounts borrowed by any member of the Group from another member of the Group) will not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twice the aggregate of:

(i) the amount paid up on the share capital of the Company; and

(ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiary undertakings of the Company and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group, but adjusted as may be necessary in respect of any variation in the paid-up share capital or share premium account of the Company since the date of that balance sheet and further adjusted as may be necessary to reflect any change since that date in the companies comprising the Group.

6. Directors' service contracts

(a) (i) The executive Directors have entered into service contracts with the Company dated 5th June, 1997, conditional upon the Scheme becoming effective, terminable by either party on 12 months' notice . The respective annual salaries (subject to review annually on 31st December in the case of Mr Dean and 1st July in the case of the others) are as follows:

Director	*Annual salary*
B Tkachuk	£150,000
A G Dean	£135,000
R Babaian	£90,000
M E Ray	£75,000

(ii) In addition to their salary, the executive Directors may at the discretion of the Remuneration Committee receive bonuses based on achieving personal and Company performance targets approved by that Committee.

(iii) Each of the executive Directors is entitled to UK private health insurance, life assurance and the provision of a company car with all expenses (including fuel) paid by the Company.

(b) Pursuant to their respective letters of appointment, Mr M E Beckett, Mr J E Samson and Mr A M Sugar have been appointed for a period terminating on 5th March, 1999. A fee of £50,000 per annum is payable to Mr M E Beckett and a fee of £30,000 per annum is payable to each of Mr J E Samson and Mr A M Sugar.

(c) The total aggregate remuneration (including any benefits in kind) paid to the Directors, whose names appear in Part 6 of this document, for the year ended 30th June, 1996 amounted to £755,000. The aggregate amount payable to Directors under the arrangements in force at the date of this document for the year ending 30th June, 1997, is estimated to be £875,000.

(d) Save as aforesaid, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries.

(e) It is intended that all the executive Directors of Viglen Technology will be granted options after the Scheme becomes effective under the Viglen Technology share option schemes described in paragraph 8 below.

7. Directors' interests

(a) *Directors' share interests*

Immediately following the Scheme becoming effective, the Directors' interests (all of which are beneficial unless otherwise stated), including interests of any person connected (within the meaning of section 346 of the Act) with a Director, in the share capital of the Company would be as set out below, based on their interests in Amstrad Shares as at 4th June, 1997 (the latest practicable date before the publication of this document) before taking into account any Amstrad Shares which may be issued pursuant to the exercise of options over Amstrad Shares prior to the Scheme becoming effective but including the 130,650 Amstrad Shares to be allotted to Mr R Babaian in July in his capacity as a Viglen vendor, according, where applicable, to the Amstrad register of Directors' share interests.

All the interests will be in respect of the ordinary shares and are interests which are required to be notified to the Company pursuant to section 324 or 328 of the Act or which are required pursuant to section 325 of the Act to be entered in the register maintained under that section, or which are interests of persons connected with the Directors within the meaning of section 346 of the Act or which would have been required to be so notified by those Directors had they been directors of Amstrad.

Name	*Number of Viglen Technology shares*
A M Sugar	41,114,630
J E Samson	7,000
M E Beckett	2,000
R Babaian	261,300

The following Directors are interested in options under Amstrad's share option schemes:

	Options over Amstrad shares held under the Amstrad share option scheme	*Exercise Price*	*Exercise Period*
A G Dean	65,399	217.5p	27.02.99 - 27.02.06
	250,000	143.5p	11.10.99 - 11.10.06
B Tkachuk	33,000	317.5p	13.03.93 - 13.03.98
	42,938	259.5p	07.12.98 - 07.12.05
	250,000	143.5p	11.10.99 - 11.10.06
M E Ray	12,000	302.5p	11.11.93 - 11.11.97
	14,364	259.5p	07.12.98 - 07.12.05
	125,000	143.5p	11.10.99 - 11.10.06
R Babaian	53,950	259.5p	07.12.98 - 07.12.05
	83,900	143.5p	11.10.99 - 11.10.06

(b) *Directors' other interests*

(i) By reason of Mr A M Sugar's indirect ownership of 40.7 per cent. of the ordinary shares of Tottenham Hotspur plc ("Tottenham") and 76 per cent. of the ordinary shares of Amsprop Limited and direct ownership of 100 per cent. of the ordinary shares of Amshold Limited, Mr A M Sugar has an interest in the following contracts between Amstrad and its subsidiaries and those companies:

(a) A three year contract dated 6th July, 1993 for the purchase from Tottenham of advertising (total aggregate value £57,000) which has now expired and two three year contracts dated 20th May, 1996 and 18th June, 1996 respectively for the purchase from Tottenham of advertising (total aggregate value £130,000). In addition, during the year ended 30th June, 1996 a further £50,000 was paid to Tottenham for advertising services. The benefit and the burden of the contract dated 18th June, 1996 was assigned to Betacom on 4th June, 1997.

(b) A contract for the provision by Amshold Limited of Mr A M Sugar's services from 1st January, 1993 to Amstrad at a consideration of £195,000 per annum, terminable on 12 months' notice. On the Scheme becoming effective this will be replaced by the contract for the provision of Mr A M Sugar's services as a non-executive director described in paragraph 6(b) above.

(c) A lease granted to Amsprop Limited over part of the 10th floor of Brentwood House at a rent of £15,252 per annum for a term of three years from 1st May, 1993. The lease has been extended by a further one year, at the same rent, to 30th April, 1997 and a further extension over the whole of the 10th floor for a period of one year is currently under negotiation.

(d) Mr R Babaian was a holder of 6 per cent. of the shares in Viglen at the time of its acquisition by Amstrad and accordingly has an interest in the acquisition agreement dated 13th June, 1994 and is entitled to receive 6 per cent. of any additional consideration thereunder.

(ii) Other than as set out in (b)(i) above in this paragraph 7, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by any member of the Amstrad Group since 30th June, 1995 or were effected by any member of the Group during an earlier financial year and which remain in any respect outstanding or unperformed.

(iii) Save as disclosed in this paragraph 7, there are no other relevant business interests of Directors.

(iv) There are no outstanding loans or guarantees by any member of the Group to or for the benefit of any of the Directors.

(v) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by Viglen Technology during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

8. Employee share schemes

The Directors have established three employee share schemes which are designed to incentivise the employees of the Group: the Sharesave Scheme, the Profit Sharing Scheme and the Share Option Scheme. All the benefits under the Share Schemes will be non-transferable and non-pensionable.

(a) *Sharesave Scheme*

Set out below is a summary of the principal features of the Sharesave Scheme which has been established by the Company. Inland Revenue approval under Schedule 9 to the Income and Corporation Taxes Act 1988 will be sought for the Sharesave Scheme.

(i) Eligibility

All executive directors and employees who have worked for the Company or a participating company for a qualifying period as determined by the Directors (but not to exceed five years) and any other employees nominated by the Directors are eligible to participate in the Sharesave Scheme.

(ii) Invitations

If the Directors decide to operate the Sharesave Scheme, invitations for the grant of options will normally only be issued within 42 days following the announcement of the Company's results for any period or at any time if there are exceptional circumstances which justify the grant of options at that time.

(iii) Savings contract

Employees granted an option under the Sharesave Scheme must enter into a savings contract with a bank or building society under which they make monthly savings for a period of three or five years. The monthly savings must not exceed the limit imposed by the relevant legislation (currently £250 per month). A bonus currently equivalent to three times the monthly savings will be payable after three years, nine months after five years and (if the savings are left with the savings carrier for two further years under a five year savings contract) 18 months after seven years. The Directors will specify on the operation of the Sharesave Scheme which length of savings contract employees may enter into and whether a five year savings contract may include the seven year bonus.

(iv) Option price

Options will be granted by the Company (or the trustee of a qualifying employee share trust within the meaning of Schedule 5 to the Finance Act 1989) at an option price which is not less than 80 per cent. of the market value of the ordinary shares on the London Stock Exchange dealing day prior to the day invitations are sent out (or some other date agreed with the Inland Revenue) or 80 per cent. of the average market value over the three London Stock Exchange dealing days prior to the day the invitations are sent out, and, where ordinary shares are to be subscribed, their nominal value (if greater). Market value means on any day the middle market quotation derived from the Official List.

(v) Exercise of options

Options are normally exercisable for a six-month period following the bonus date under the relevant savings contract. If the option is not exercised within this six-month period, the option will lapse. Options may also be exercised early in certain circumstances, for example, on the optionholder ceasing to be an employee due to death, injury, disability, redundancy, retirement or following a change of control of the employing company. Exercise is also allowed where the employee leaves if the option has been held for more than three years. If any option is exercised early, the optionholder may only use the savings made under his/her savings contract (together with any interest) at that time to exercise the option.

An option may only be exercised by the person to whom it is granted or his/her personal representative(s) and is not transferable.

(vi) Takeover or reconstruction

An option may be exercised in the event of a takeover, reconstruction or winding-up of the Company. In the event of another company acquiring control of the Company, optionholders may in certain circumstances exchange their options for options over ordinary shares in the acquiring company.

(vii) Issue of ordinary shares

Ordinary shares issued on the exercise of options will rank equally with ordinary shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

(viii) Variation in share capital

Options may be adjusted following certain variations in the share capital of the Company including a capitalisation, rights issue or sub-division, consolidation or reduction in the capital of the Company or any other variation of ordinary share capital.

(ix) Amendments to the Sharesave Scheme rules

The rules of the Sharesave Scheme relating to eligibility, scheme limits, the option price and various rights attaching to options may not be amended to the advantage of optionholders without shareholder approval, except minor amendments to benefit the administration of the Sharesave Scheme, to take account of a change in legislation, or to obtain or maintain favourable tax treatment for optionholders or the Company (or other participating companies). All amendments to the Sharesave Scheme require Inland Revenue approval if the Sharesave Scheme is to retain its approved status.

(x) Termination of the Sharesave Scheme

No options may be granted under the Sharesave Scheme after the tenth anniversary of the date of the adoption of the Sharesave Scheme.

(*b*) *Profit Sharing Scheme*

Set out below is a summary of the principal features of the Profit Sharing Scheme which has been established by the Company. Inland Revenue approval under Schedule 9 to the Income and Corporation Taxes Act 1988 will be sought for the Profit Sharing Scheme.

(i) Eligibility

All executive directors and employees who have worked for the Company or a participating company for a qualifying period determined by the Directors (but not to exceed five years) and any other employees nominated by the Directors are eligible to participate in the Profit Sharing Scheme. The Directors may also permit former employees who have left within the preceding 18 months to participate.

(ii) Operation of the Profit Sharing Scheme

If the Directors decide to operate the Profit Sharing Scheme, employees will be given the opportunity to acquire ordinary shares at no cost. The ordinary shares will be paid for out of contributions from the profits of the Group companies participating in the Profit Sharing Scheme. The ordinary shares will be acquired by the trustee of the Profit Sharing Scheme and allocated to participants based on equal numbers of ordinary shares, relative to salary, a matching basis or any other objective basis approved by the Inland Revenue. The ordinary shares are normally held for up to three years when they will be transferred to the participant free of income tax. Not more than five per cent. of the pre-tax profits of the companies participating in the Profit Sharing Scheme may be contributed to the Scheme in any tax year.

(iii) Timing

The Profit Sharing Scheme may be operated once in any calendar year. This will normally be within 90 days following the announcement of the Company's results for the preceding financial year.

(iv) Share acquisitions

The trustee may either subscribe for or purchase ordinary shares. The price of any share subscribed for will be the middle market quotation as derived from the Official List on the day preceding subscription or nominal value, if greater. Any ordinary shares subscribed will rank equally with all other ordinary shares in issue at that time.

(v) Limit on participation

The maximum value of ordinary shares which can be allocated to any participant under the Profit Sharing Scheme in any tax year may not exceed the maximum amount permitted from time to time by the Income and Corporation Taxes Act 1988. This is currently ten per cent. of salary up to a maximum of £8,000 or an amount not related to salary up to £3,000.

(vi) Participant's acquisition of ordinary shares

Once the ordinary shares have been allocated to participants the ordinary shares will be retained by the trustee of the Profit Sharing Scheme for a minimum period of two years. After that period participants can request the transfer or sale of the ordinary shares but subject to an income tax charge. The ordinary shares will be released to participants after three years without any income tax charge.

Ordinary shares can be released from the Profit Sharing Scheme early in the event of the participant's death, retirement or leaving employment by reason of injury, disability or redundancy.

While a participant's ordinary shares are held by the trustee, the participant will be the beneficial owner and will be entitled to receive dividends and, through the trustee, to vote, to participate in rights and capitalisation issues and to elect to receive scrip dividends in substantially the same way as other shareholders.

(vii) Amendments to Profit Sharing Scheme rules

The rules of the Profit Sharing Scheme relating to eligibility, scheme limits and various rights attaching to share allocations may not be amended to the advantage of participants without shareholder approval, except minor amendments to benefit the administration of the Profit Sharing Scheme, to take account of a change in legislation, or to obtain or maintain favourable tax treatment for participants or the Company (or other participating companies). All amendments to the Profit Sharing Scheme require Inland Revenue approval if the Profit Sharing Scheme is to retain approved status.

(viii) Termination of the Profit Sharing Scheme

The Company in general meeting or the Directors may at any time terminate the Profit Sharing Scheme. If this happens no further ordinary shares will be allocated but the provisions of the Profit Sharing Scheme will continue in full force and effect in relation to ordinary shares already allocated.

(c) *Share Option Scheme*

Set out below is a summary of the principal features of the Share Option Scheme which has been established by the Company. The Share Option Scheme is under the control of the Remuneration Committee and is intended to provide long-term incentives to key Viglen Technology executives and to encourage a community of interest between executives and Viglen Technology's shareholders.

(i) Eligibility

All employees and executive directors of the Company and any subsidiary are eligible to participate in the Share Option Scheme but participants will be limited to key executives selected by the Remuneration Committee.

(ii) Grant of options

Options will be granted under seal for nil consideration and will normally only be issued within 42 days following the announcement of the Company's results for any period or at any time thereafter exceptional circumstances exist which justify the grant of options at that time. An initial grant of options may be made in the period of 42 days following Listing.

(iii) Income tax relief

The Share Option Scheme is divided into two parts: one part will be approved by the Inland Revenue and will allow for options to subsist over ordinary shares worth up to £30,000 at the original grant price. Ordinary shares in excess of this limit will be granted under an unapproved part and gains arising on the exercise of options under the unapproved part will be subject to PAYE on exercise.

Part 11 – Additional information continued

(iv) Basic and super options

Options will be designated at grant as either basic or super options. Basic options will be granted to an individual participant subject to a limit on ordinary shares worth four times earnings over any ten year period. Basic options will only be exercisable on the achievement of a three year performance target based on a growth in earnings per share of at least two per cent. per annum over the rate of increase in the retail prices index (but the Remuneration Committee will have the flexibility to set an alternative comparable performance target if it so wishes). Super options may be held by an individual participant over ordinary shares worth up to eight times his earnings less the original market value of any subsisting basic options. Super options will only be exercisable subject to a five year performance target based on the achievement of a level of performance in line with that of the top quartile of FTSE 100 companies with reference to the performance measure chosen by the Remuneration Committee which is initially expected to be earnings per share but may be total shareholder return or any other performance target which the Remuneration Committee considers is appropriate. Basic and super options may both be granted under the approved or unapproved parts of the scheme.

(v) Exercise of options

Options will not normally be exercisable before the third anniversary of grant unless the optionholder has ceased to be an employee due to death, injury, disability, redundancy, retirement or following a change of control of the employing company. The Remuneration Committee may also allow an executive to exercise an option early if he has been transferred to an overseas company and the Remuneration Committee considers it appropriate to allow him to exercise the option in view of local tax or security laws.

(vi) Takeover or reconstruction

An option may be exercised in the event of a takeover, reconstruction or winding-up of the Company. Optionholders may in certain circumstances be given the opportunity to exchange their options over ordinary shares in the acquiring company.

(vii) Issue of shares

Ordinary shares issued on the exercise of options will rank equally with ordinary shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

(viii) Variation in ordinary share capital

Options may be adjusted following certain variations in the ordinary share capital of the Company including a capitalisation, rights issue or sub-division, consolidation or reduction in the capital of the Company or any other variation of ordinary share capital.

(ix) Amendments to the Share Option Scheme

The rules of the Share Option Scheme relating to eligibility, scheme limits, the option price and various rights attaching to options may not be amended to the advantage of participants without shareholder approval, except minor amendments to benefit the administration of the Share Option Scheme, to take account of a change in legislation, or to obtain or maintain favourable tax treatment for participants or the Company (or other participating companies). All amendments to the approved part of the Share Option Scheme require Inland Revenue approval.

(d) Scheme limits

The overall limits on the number of ordinary shares which may be issued under the above employee share schemes are set out below:

(i) in any three year period, not more than three per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under all employees' share schemes adopted by the Company. Alternatively, the Company may adhere to a limit under which in any five year period not more than five per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or issuable under all employee share schemes adopted by the Company subject to a further inner limit of three per cent. in five years under all executive share incentive schemes adopted by the Company;

(ii) in any ten year period, not more than ten per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under all employee share schemes adopted by the Company;

(iii) in any ten year period, not more than five per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under all executive share incentive schemes adopted by the Company; and

(iv) in any year, not more than one per cent. of ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under the Profit Sharing Scheme.

For the purposes of these limits, options which lapse cease to count.

9. Investments over the last three financial years

In July 1994, Amstrad acquired Viglen for a total consideration of approximately £61.0 million. In 1995, Viglen invested £2.5 million in its new production facilities at Perivale, West London. This investment was funded from Viglen's cash reserves.

10. Number of employees

The following table sets out the number of full-time equivalent employees of the Amstrad Group as at the dates indicated:

	Full-time equivalent employees at			
	30th June, 1994	*30th June, 1995*	*30th June, 1996*	*31st December, 1996*
Viglen	189	242	283	276
Amstrad	424	393	189	113
Dataflex	—	20	35	28
Dancall	351	438	656	621
Betacom	66	61	51	82
Total	1,030	1,154	1,214	1,120

11. Material contracts

(a) By an agreement dated 30th June, 1996 between Amstrad (1), Amstrad Consumer Electronics Limited ("ACE") (2) and Betacom (3), (the "Agreement") it was agreed that Betacom would source and sell certain ACE products under the marks "Amstrad", "Fidelity", "Sinclair" and "Integra" and that ACE would cease sourcing and selling such products other than to Betacom. Under the Agreement, Betacom is not entitled to source any relevant product from any third party until ACE's stock of such product has been exhausted. Pursuant to the Agreement, Amstrad and Betacom entered into a trademark licence agreement dated 30th June, 1996 whereby Amstrad granted to Betacom an exclusive, non-transferable, worldwide licence to use certain trademarks on, or in connection with, certain products. The Agreement was entered into for a nominal consideration and is for a minimum period of two years and then is terminable on 12 months notice by either party.

(b) By an agreement dated 27th March, 1997 between Amstrad, Bosch Telecom GmbH ("Bosch") and Robert Bosch GmbH, Bosch's parent company (which guaranteed the payment of the consideration), Amstrad agreed to sell the entire issued share capital of Dancall to Bosch for a consideration of US$150 million (approximately £92 million). The agreement was conditional upon approval of Amstrad shareholders and unconditional clearance from the Bundeskartellamt of the transaction. The agreement became unconditional and was completed on 30th April, 1997. The agreement provides for accounts to be drawn up as at 30th April, 1997 and if the adjusted net assets of Dancall at that date were less than DKK85 million (£8.2 million), Amstrad will be required to repay the amount of any such shortfall. The agreement contains a number of warranties, indemnities and representations given by Amstrad to Bosch, which are usual in a transaction of this nature, relating to, *inter alia,* Dancall's accounts, ownership of its assets, trading position, corporate organisation and employees and including a tax indemnity, subject to limitations including, *inter alia,* as to the time limit for the making of claims and on the total amount which can be claimed.

(c) By an agreement dated 15th May, 1997 between Amstrad and Betacom, Amstrad agreed to sell its business of trading in domestic satellite receiving equipment and electronic and electrical goods for the consumer market to Betacom for a consideration of £6.5 million to be satisfied by the issue of 9,489,051 new ordinary shares in Betacom. The agreement was conditional upon approval by Betacom shareholders and admission of the consideration shares to the Official List. The conditions were satisfied and the agreement was completed on 4th June, 1997. The agreement included provision for the acquisition by Betacom of all intellectual property rights owned by Amstrad including, without limitation, the right to the names "Amstrad", "Fidelity", "Sinclair" and "Integra", for Betacom to enter into an agreement for lease of the 7th floor of Amstrad's head office in Brentwood and for Amstrad to grant a one year option to Betacom to take occupation by way of lease of certain other parts of those premises. Pursuant to the agreement Betacom agreed to assume responsibility for a number of contractual obligations, including liability for certain product warranties given by the Amstrad consumer electronics business in the past. The agreement contains a number of warranties, indemnities and representations given by Amstrad to Betacom which are usual in a transaction of this nature relating to, *inter alia,* ownership of the assets sold and employees, subject to limitations including, *inter alia,* as to the time limit for the making of claims and on the total amount which can be claimed.

(d) Save for the agreements referred to in paragraphs (a) to (c) above, no contracts which are or may be material, being contracts otherwise than in the ordinary course of business, have been entered into by Amstrad or its subsidiaries during the two years immediately preceding the date of this document.

12. Properties

Details of the principal premises of the Group companies are as follows:

(a) Freehold properties

Property	*Approximate floor area (sq.ft.)*	*Principal use*
Viglen House, Alperton Lane, Alperton, Middlesex	45,000	Head Office
Unit 2, Campfield Road, Shoeburyness	211,000	Factory, warehouse and office
Units 23/24, Parkhouse Industrial Estate, Newcastle-under-Lyme	55,000	Warehouse and office
The Annexe, 1 St James' Road, Brentwood	1,800	Offices
Brentwood House, 169 Kings Road, Brentwood	40,000	Freehold offices

The property in Newcastle-under-Lyme has been leased to companies unrelated to the Group.

(b) Leasehold properties

Property	*Approximate floor area (sq.ft.)*	*Term*	*Current annual rent (£)*	*Principal use*
Viglen Fabrication, Unit 20 Perivale Industrial Estate, Hoisenden Lane, South Perivale	62,000	15 years	275,000	Production facility
322 Athlon Road, Alperton, Wembley, Middlesex	9,250	10 years with 5 year break clause	36,000	Warehouse
2 Marsh Road Industrial Estate, Alperton	11,000	Terminable on one months notice	36,000	Offices and warehouse
Chancery House, St Nicholas Way, Sutton, Surrey	8,100	7 years with option to terminate in 1998; rent review in 2000	77,800	Offices

13. Litigation

(a) Save as disclosed in paragraphs (b) and (c) below, no member of the Group is engaged in, nor (so far as the Directors are aware) has pending or threatened against it, any legal or arbitration proceedings which may have or have had in the recent past (including at least the 12 months immediately preceding the date of this document) a significant effect on the financial position of the Group.

(b) Amstrad has brought legal proceedings against Seagate alleging that computer disk drives supplied in 1988 by Seagate and installed by Amstrad in its PC 2386 computer were defective. Legal proceedings were initially commenced in the United States of America but were subsequently transferred to the High Court in London. The legal action commenced in London in 1992. The trial commenced in April 1996 and ended in July 1996. On 9th May, 1997, Amstrad was awarded £57.6 million in the Seagate litigation. A further hearing is to take place in order to hear argument from the parties relating to any corrections to the judge's calculations in his judgment, interest and costs, together with any applications concerning appeals. Amstrad has submitted calculations to the Court indicating that, in aggregate, the damages should exceed £100 million. This award may be subject to appeal and would be a taxable receipt for Amstrad.

(c) Amstrad has brought legal proceedings against Western Digital alleging that computer disk drives supplied in 1988 by Western Digital and installed in its PC 2286 computer were defective. Legal proceedings were commenced in Orange County, California in September 1991. Amstrad's claim is for damages and interest, as yet unquantified. The trial is expected to begin later this year. Western Digital has made counter-claims for general damages for loss sustained in carrying out rework and replacement of the faulty hard disk drive.

14. UK taxation

The comments set out below are based on current UK tax law as well as the current practice of the Inland Revenue. The comments are of a general nature only, are not a full description of all relevant tax considerations, and may not be applicable to certain categories of investor.

Prospective shareholders in the Company who are in any doubt as to their tax position, or who are resident in any jurisdiction, or subject to taxation, outside the UK, should consult a professional adviser concerning their tax position in respect of or relating to the acquisition, holding or disposal of ordinary shares.

(a) *Dividends*

There is no UK withholding tax on dividends, but when the Company pays a dividend it must account to the Inland Revenue for advance corporation tax ("ACT"). The rate of ACT is fixed by reference to the lower rate of income tax and currently equals one quarter of the net dividend paid.

Viglen Technology shareholders who are resident for tax purposes in the UK and who receive a dividend from the Company will normally be entitled to a tax credit of an amount equal to the related ACT.

A UK resident individual will be liable to income tax on the total of the dividend received and the tax credit. Unless the individual is liable to higher rate income tax, the tax credit will fully discharge his liability to income tax on this dividend. If the tax credit exceeds his overall liability to income tax (taking into account his other income and any other tax credits and allowances) he will be able to claim payment of the excess from the Inland Revenue. Viglen Technology shareholders who are liable to higher rate income tax (currently 40 per cent.) will have a further liability to income tax of 20 per cent. in respect of the aggregate of the dividend and the tax credit received.

A company resident in the UK will not normally be liable to tax on the dividend and will normally be able to treat any dividend received and the related tax credit as franked investment income.

Special provisions apply to individuals who are not resident in the UK but who are Commonwealth citizens, residents of the Isle of Man or the Channel Islands, or nationals of any state in the European Economic Area or who fall within certain other classes. Otherwise, the right of a shareholder who is not resident in the UK to claim any part of the tax credit will depend on the existence and terms of any double taxation treaty between the UK and the jurisdiction in which that person is resident.

Shareholders who are not resident in the UK should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

(b) Inheritance tax

The ordinary shares are assets situated in the UK for the purposes of inheritance tax. A gift of such assets or the death of a holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to inheritance tax, even if the holder is neither domiciled in the UK, nor deemed to be domiciled there. For these purposes, a transfer of assets at less than full market value may be treated as a gift. Special rules apply to trusts which own assets situated in the UK and to gifts where the donor retains an interest or reserves a benefit.

(c) Stamp duty and stamp duty reserve tax

The transfer on sale of ordinary shares will be liable to ad valorem stamp duty, generally at the rate of 50 pence for every £100 or part of £100 of the consideration paid. An unconditional agreement to transfer such shares will be liable to stamp duty reserve tax, generally at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. Special rules apply to persons connected with the provision of depository receipts or clearance service facilities.

(d) Taxation of capital gains

The ordinary shares constitute an asset for the purposes of capital gains tax and corporation tax on chargeable gains ("CGT"). A person within the scope of CGT, because he is resident in the UK or has a branch or agency in the UK to which the shares are attributable, may (subject to any relief afforded by any applicable double taxation convention) be liable to CGT on any chargeable gain arising on the disposal or deemed disposal of the ordinary shares.

15. Indebtedness

(a) Viglen Technology

As at the close of business on 30th April, 1997 Viglen Technology had no loan capital (including term loans) outstanding or created but unissued, mortgages, charges or any other borrowings in the nature of indebtedness, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase or finance lease commitments, guarantees or contingent liabilities.

(b) Amstrad

At the close of business on 30th April, 1997, the Amstrad Group had gross borrowings of £14.2 million which consisted of loan notes issued to the vendors of Viglen. As security for these borrowings Amstrad had short term investments of £14.2 million on deposit with Lloyds Bank Plc.

As at the close of business on 30th April, 1997, the Amstrad Group had guarantees outstanding of £0.6 million and letters of credit outstanding of £7.2 million.

Save as aforesaid and apart from intra-group liabilities no member of the Amstrad Group had at the close of business on that date any loan capital (including term loans) outstanding or created but unissued, any mortgages, charges or any other borrowings in the nature of indebtedness, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase or finance lease commitments, guarantees or contingent liabilities.

As at the close of business on 30th April, 1997, cash and bank balances of the Amstrad Group were £221.7 million.

For the purpose of the above, amounts in foreign currencies have been translated into Sterling at the mid-market exchange rate prevailing at the close of business in London on 30th April, 1997.

16. Working capital

The Directors are of the opinion that, after taking into account available bank and other facilities, the Group has sufficient working capital for its present requirements.

17. Financial information

(a) The auditors of Amstrad for each of the last three financial years have been Deloitte & Touche.

(b) The financial information contained in this document does not constitute statutory accounts for the purposes of section 240(5) of the Act. Consolidated statutory accounts of Amstrad in respect of the accounting periods ended 30th June, 1994, 1995 and 1996 on which the auditors, Deloitte & Touche, have given reports which were unqualified and did not contain a statement under section 237(2) or (3) of the Act have been delivered to the Registrar of Companies.

18. Miscellaneous

(a) The ordinary shares will be in registered form. It is expected that definitive share certificates will be posted to allottees by 22nd August, 1997. No temporary documents of title will be issued.

(b) CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles of Association of the Company permit the holding of ordinary shares under CREST. The Directors will apply for the ordinary shares to be admitted to CREST with effect from Listing. Accordingly, arrangements will be put in place for those former shareholders of Amstrad who held their Amstrad shares in uncertificated form to hold their ordinary shares in uncertificated form and effect settlement of transactions in the ordinary shares within the CREST system. Those former shareholders of Amstrad who held share certificates in respect of Amstrad shares will receive share certificates in respect of their ordinary shares.

(c) The expenses of or in connection with the Scheme and the Introduction, which are payable by the Group, are estimated to amount to approximately £3 million.

(d) Deutsche Morgan Grenfell, which is regulated by The Securities and Futures Authority Limited, is registered in England and Wales with No. 315841 and has its registered office at 23 Great Winchester Street, London EC2P 2AX, has given and has not withdrawn its written consent to the issue of this document, with the reference to its name in the form and context in which it appears.

(e) Deloitte & Touche, Chartered Accountants and Registered Auditors has given and has not withdrawn its written consent to the inclusion of its reports in Part 7 of this document with references thereto and to its name in the form and context in which they appear respectively.

(f) No shares have been marketed or are available in whole or in part to the public in conjunction with the application for Listing.

(g) (i) Save for the effects of and matters relating to the Scheme, there has been no significant change in the trading or financial position of Viglen Technology since 30th April, 1997 the date to which the last audited financial statement of the Company has been drawn up.

(ii) Save for the effects of and matters relating to the Scheme, there have been no significant changes in the trading or financial position of the Amstrad Group since 30th June, 1996 the date to which the last audited financial statements of the Amstrad Group are published, other than the sale of Dancall, the sale of the UK consumer electronics business to Betacom and the award of £57.6 million in the Seagate litigation (subject to appeal and these proceedings being concluded).

(h) The ordinary shares are not "wider range" investments for the purposes of the Trustee Investment Act 1961.

(i) Contender, Genie, Dossier CL, Dossier CDp, LX, XX Pro and Propenta are trademarks of Viglen. Pentium, Pentium Pro, Pentium II and MMX are trademarks of Intel Corporation.

19. Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company and at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS during office hours on any weekday (Saturdays excepted) until 4th August, 1997:

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

(b) the material contracts referred to in paragraph 11 above;

(c) the Directors' service contracts and letters of appointment referred to in paragraph 6 above;

(d) the circular to Amstrad shareholders dated 6th June, 1997 incorporating details of the Scheme;

(e) the letters of consent referred to in paragraphs 18(d) and (e) above;

(f) the audited consolidated accounts of Amstrad plc for the two financial years ended 30th June 1995 and 30th June 1996;

(g) the Accountants' reports set out in Part 7;

(h) the rules of the Sharesave, Profit Sharing and Share Option Schemes described in paragraph 8 of Part 11;

(i) the draft trust deed, subject to amendment, proposed to be entered into with the trustees of the Litigation referred to in Part 10;

(j) a draft, subject to amendment, of the instrument to constitute the Loan Notes referred to in Part 10;

(k) Amstrad's share option schemes.

Dated 6th June, 1997

Hyway Pennington Financial - London & Edinburgh 2166