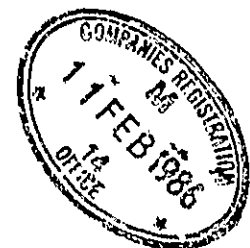


SINCLAIR RESEARCH LIMITED

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985



SINCLAIR RESEARCH LIMITED

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985

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SINCLAIR RESEARCH LIMITED

SALIENT FIGURES

|  | <u>1985</u><br><u>£000</u> | <u>1984</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| TURNOVER   | 102,865                    | 77,692                     |
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION AND EXCEPTIONAL ITEMS | 4,467                      | 14,279                     |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES<br>AFTER TAXATION                 | (11,069)                   | 7,841                      |
| TOTAL ASSETS LESS CURRENT LIABILITIES                                  | 10,127                     | 21,167                     |
| EARNINGS PER SHARE   | (277p)                     | 196p                       |
| DIVIDEND PER SHARE   | Nil                        | 1p                         |

SINCLAIR RESEARCH LIMITED

CHAIRMAN'S REPORT

Earlier this year, I wrote to you setting out the unaudited results for the nine-month period to 31 December 1984. These figures showed profit before taxation for the period of £7.9 million, after allowing for substantial provisions. In the light of subsequent events, these provisions proved to be inadequate.

In 1984, the public in Britain bought a record 1.4 million personal computers. The retail trade, over-reacting to the rising market and the supply shortages experienced in the two preceding years, bought 1.8 million machines. The pattern was the same in all major markets last year, and the result was a virtually complete cessation of deliveries to retailers in the first three months of 1985.

The market in semiconductors, which represent the major cost input in personal computers, has subsequently collapsed. However much of a welcome development this might be in the long term for designers of low-cost computers, it has meant that the large current stocks which all manufacturers of these products hold have had to be revalued.

Thus, although total sales in 1984/85 were £102.9 million, profits were hit by this lack of business in the final quarter, and the need to revalue excess stock sharply downwards has led to a major loss for the year. Prior to these write downs the profit on ordinary activities before taxation and exceptional items was £4.5 million.

Such catastrophes usually occur once in the life of a new industry. In this case, neither the leading manufacturers nor retailers were sufficiently alert to the dangers of a fundamental difference in the balance of supply and demand compared with previous years.

These events have been widely, but quite wrongly, represented as a sudden collapse in popular demand for home computers. At the moment retail purchases are close to last year's record levels, although it is too early to predict the total for the year.

While 1985 has been hard for us, Sinclair Research has fared better than its nearest British and US competitors in the home computer market. Despite our well-publicised problems, the public has continued to show confidence in our products. We have increased our market share and today independent research shows around 50% of all home computers being sold in the UK are ours, even though some competitors are still dumping products at well below cost.

The retail trade here and abroad, although clearly guided by the experiences of last Christmas, is nevertheless buying vigorously again, and we see a good future in this market.

SINCLAIR RESEARCH LIMITED

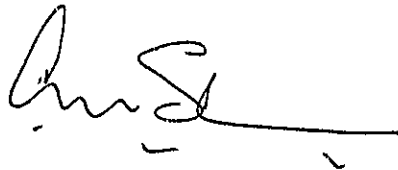
CHAIRMAN'S REPORT (CONTINUED)

Bill Jeffrey, who became Chief Executive of the firm in July, has reorganised the company considerably, including a reduction in staff in the UK to just over 120, with a view to making cost savings and improving efficiency. This has coincided with completion of the refurbishment of Milton Hall where all Cambridge-based employees are now located.

The Board now comprises myself as Chairman; Bill Jeffrey, Finance Director; Bill Matthews, Corporate Services Director and Company Secretary; and Kenneth Dick, external director and a member of the Board of Rothschilds.

Our past success as a company has been helped by our high level of technical innovation and we have much that is exciting to offer in 1986. The company has two very valuable assets in the proprietary technology associated with flat screen displays and wafer scale integration. We hope to inform you in the near future of our plans in these two areas.

I should like to take this opportunity to thank all my colleagues for their tremendous help in this most difficult year.

A handwritten signature in black ink, appearing to read 'Clive Sinclair', with a long horizontal flourish extending to the right.

SIR CLIVE SINCLAIR

26 November 1985

# SINCLAIR RESEARCH LIMITED

## DIRECTORS' REPORT

The directors present their report and the group financial statements of Sinclair Research Limited for the year ended 31 March 1985.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group are to conceive, develop and market new products in the consumer electronics field. In particular the group has three functional activities: Computer products, TV and Communications and Research and Development. The current product range includes the Spectrum Plus, the QL computer and associated peripherals, and the miniature flat screen television. Longer term research and development takes place at Milton Hall.

### RESULTS AND DIVIDENDS

The group loss for the year after taxation amounted to £11,068,810. The directors do not recommend the payment of a dividend. It is recommended that the loss after taxation should be taken to reserves.

### POST BALANCE SHEET EVENT

On 24 August 1985 an agreement was signed between the company and Barclays Bank, acting on behalf of the major creditors. The agreement granted to Barclays Bank and the major creditors a mortgage over all the freehold and leasehold property of the company, a fixed charge over all future land and buildings, all book debts, other monetary debts and claims, all stocks and shares and other interests, the goodwill, the uncalled capital of the company both present and future and a floating charge over all the undertaking and all property and assets of the company.

### RESEARCH AND DEVELOPMENT

The company has established well equipped research and development laboratories at Milton Hall where research projects are taking place in many new areas of science and technology.

### SIGNIFICANT CHANGES IN FIXED ASSETS

The company has continued to invest in plant and equipment, especially in production facilities for the flat television tube and for the manufacture of microdrive cartridges. Further expenditure has also been incurred during the year on the refurbishment and extension of Milton Hall, Cambridge which accommodates the research and development activities of the company.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The following served as directors during the year:

|                    |                           |
|--------------------|---------------------------|
| Sir Clive Sinclair | (Chairman)                |
| Lady Sinclair      |                           |
| David Chatten      |                           |
| Ronald Cohen       |                           |
| Richard Cutting    |                           |
| Kenneth Dick       |                           |
| Christopher Fawkes |                           |
| Bill Jeffrey       | (Appointed 22 July 1985)  |
| John Lee           | (Appointed 11 March 1985) |
| William Matthews   |                           |
| Michael Pye        |                           |
| Nigel Searle       |                           |
| David Southward    |                           |
| James Westwood     |                           |
| Robb Wilmot        | (Appointed 11 March 1985) |

Bill Jeffrey was appointed Chief Executive Officer on 22 July 1985.

On 29 April 1985, Lady Sinclair resigned from the Board of Directors and on 23 August 1985, David Chatten, Ronald Cohen, Richard Cutting, Christopher Fawkes, Michael Pye, Nigel Searle, David Southward, James Westwood, Robb Wilmot resigned from the Board of Directors.

DIRECTORS' INTERESTS IN SHARES

The directors who held office at 31 March 1985 had the following interests in the shares of group companies:

|                                  | <u>31 March 1985</u>                 | <u>31 March 1984</u>                 |
|----------------------------------|--------------------------------------|--------------------------------------|
|                                  | <u>Number of 25p ordinary shares</u> | <u>Number of 25p ordinary shares</u> |
| <u>Sinclair Research Limited</u> |                                      |                                      |
| Sir Clive Sinclair               | 3,329,541                            | 3,329,541                            |
| Lady Sinclair                    | 20,000                               | 29,961                               |
| Ronald Cohen (non beneficial)    | 10,000                               | 10,000                               |
| Kenneth Dick                     | 600                                  | 600                                  |

Since 31 March 1985 the company has been notified that Sir Clive Sinclair has ceased to be interested in 75,000 25p ordinary shares in the company.

The interest of Ronald Cohen shown above derives from his directorship of APA Venture Capital Fund Limited, which is the registered holder of the shares.

SINCLAIR RESEARCH LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Options have been granted to the following directors who held office at 31 March 1985 to acquire shares from Sir Clive Sinclair at the 11 January 1983 placing price of £34:

|  | <u>Number of 25p ordinary shares</u> |
|--|--------------------------------------|
| Nigel Searle   | 14,706                               |
| Richard Cutting  | 7,353                                |
| All executive directors except for<br>John Lee and Robb Wilmot | 2,941 each                           |
| Christopher Fawkes   | 2,941                                |

In addition, certain senior employees have also been granted options under the same conditions which, in total, amount to 5,209 shares.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Directors' interests in significant contracts are shown in Note 24 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

On 20 November 1985, the following shareholders other than directors had an interest in 5% or more of the company's ordinary share capital:

|           | <u>Number of Shares</u> | <u>Percentage</u> |
|-----------|-------------------------|-------------------|
| Ian Henry | 226,598                 | 5.7               |

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the group has made the following contributions:

|   | £       |
|---|---------|
| Charitable purposes:                    |         |
| United Kingdom charitable organisations | 139,569 |

TAXATION STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1970.



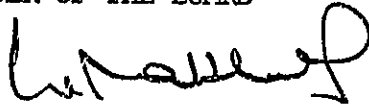
SINCLAIR RESEARCH LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors to the company will be put to the annual general meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'W. Matthews', written over the printed name.

WILLIAM MATTHEWS

Secretary

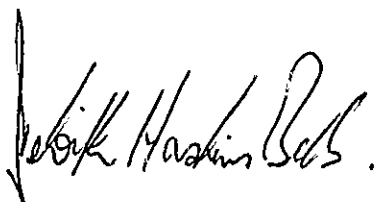
26 November 1985

AUDITORS' REPORT  
TO THE MEMBERS OF SINCLAIR RESEARCH LIMITED

We have audited the financial statements on pages 10 to 26 in accordance with approved Auditing Standards.

The financial statements have been prepared on a going concern basis and the validity of this depends on the company's bankers and major creditors continuing their support. In the absence of such support this basis would be invalid. Provision would then have to be made for any loss that might arise when the company's assets were realised.

Subject to the continuation of this support, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 1985 and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



DELOITTE HASKINS & SELLS

Chartered Accountants

Cambridge

26 November 1985

## SINCLAIR RESEARCH LIMITED

### ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The group has adopted the historical cost basis in preparing these financial statements. The group financial statements include the results of subsidiaries from the date of acquisition.

#### TURNOVER

Turnover comprises sales, less refunds, excluding Value Added Tax. Sales are included in the financial statements on the following bases:

1. Mail order sales on receipt of the customer's order, accompanied by payment, provided the goods are in stock and the company is in a position to comply with its stated terms for the despatch of the goods so ordered.
2. Other sales, principally sales to retail stores and to national agents overseas, on the despatch of the goods.

#### LEASING INCOME

Credit is taken for income from leased equipment in equal instalments over the period of the lease.

#### STOCKS

Stocks have been valued at the lower of cost and net realisable value.

#### TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, including legal and installation costs and after deducting Government grants receivable and depreciation to date. Production plant includes pre-production costs incurred in order to bring the plant into full working order.

#### DEPRECIATION

Depreciation has been calculated to reduce the cost less Government grants of the undernoted fixed assets to their respective residual values over their useful working lives. The following annual rates have been applied:

|                     | <u>1985</u><br><u>straight line method</u> | <u>1984</u><br><u>straight line method</u> |
|---------------------|--|--|
| Freehold property   | 2%   | 2%   |
| Plant and equipment | 20%  | 20%  |
| Production plant    | 20 - 33 1/3%                               | See below                                  |
| Motor vehicles      | 25%  | 25%  |
| Aircraft            | 10%  | 10%  |

SINCLAIR RESEARCH LIMITED

ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION (CONTINUED)

Leasehold property is depreciated in equal instalments over the period of the lease.

While under construction and development, the production plant for the flat television tube was depreciated at 15% per annum on the reducing balance method from the date of acquisition. The plant is now in production and has been depreciated at the rate of 20% per annum on the straight line method from 1 April 1984.

GOVERNMENT GRANTS

Government grants receivable are deducted from the cost of the assets they are intended to finance. Credit is taken for grants expected to be received in proportion to the qualifying expenditure incurred.

FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies have been translated into sterling at the rates of exchange ruling at the respective balance sheet dates. Transactions with third parties entered into by the company's branches have been translated at the average rates of exchange for the relevant periods. Other transactions in foreign currencies have been translated at the rates of exchange ruling at the time of the transaction. The resulting gains and losses arising on the translation of foreign currencies have been dealt with in the profit and loss account.

DEFERRED TAXATION

Deferred taxation is provided in respect of all timing differences except where the directors consider that no corporation tax liability will occur in the foreseeable future.

RESEARCH AND DEVELOPMENT

Research and development revenue expenditure, including expenditure in respect of patents and trade marks, is written off as incurred.

ADVERTISING AND PROMOTIONAL EXPENDITURE

Advertising and promotional expenditure is written off as incurred.

SINCLAIR RESEARCH LIMITEDCONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1985


|   | <u>Notes</u> | <u>1985</u><br>£000    | <u>1984</u><br>£000 |
|---|--------------|------------------------|---------------------|
| TURNOVER  | 1            | 102,865                | 77,692              |
| Net operating expenses  | 2            | 98,827                 | 64,113              |
| OPERATING PROFIT  |              | <u>4,038</u>           | <u>13,579</u>       |
| Interest and royalties receivable   | 4            | 471                    | 701                 |
| Leasing income  |              | 7                      | 11                  |
| Interest payable  | 5            | (49)                   | (12)                |
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION AND EXCEPTIONAL ITEMS              |              | <u>4,467</u>           | <u>14,279</u>       |
| Exceptional items   | 6            | 22,785                 | -                   |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE<br>TAXATION BUT AFTER EXCEPTIONAL ITEMS |              | <u>(18,318)</u>        | <u>14,279</u>       |
| Taxation (credit)/charge  | 7            | (7,249)                | 6,438               |
| (LOSS)/PROFIT ON ORDINARY<br>ACTIVITIES AFTER TAXATION                              |              | <u>(11,069)</u>        | <u>7,841</u>        |
| Dividend  | 8            | -                      | 40                  |
| RETAINED (LOSS)/PROFIT FOR THE YEAR   |              | <u><u>(11,069)</u></u> | <u><u>7,801</u></u> |
| EARNINGS PER SHARE  |              | <u><u>(277p)</u></u>   | <u><u>196p</u></u>  |

SINCLAIR RESEARCH LIMITEDCONSOLIDATED BALANCE SHEET AT 31 MARCH 1985

|  | <u>Notes</u> | <u>1985</u>          | <u>1984</u>          |
|--|--------------|----------------------|----------------------|
|  |              | £000                 | £000                 |
| <b>FIXED ASSETS</b>  |              |                      |                      |
| Tangible assets  | 10           | <u>7,362</u>         | <u>5,311</u>         |
| <b>CURRENT ASSETS</b>                                      |              |                      |                      |
| Net investment in finance leases                           | 12           | 233                  | 317                  |
| Stocks   | 14           | 21,334               | 13,625               |
| Debtors  | 15 & 16      | 15,672               | 13,828               |
| Cash at bank and in hand                                   |              | 214                  | 6,506                |
| Cash in stakeholders' accounts                             |              | -                    | 2,054                |
|  |              | <u>37,453</u>        | <u>36,330</u>        |
| <b>CURRENT LIABILITIES</b>                                 |              |                      |                      |
| Creditors: Amounts falling due<br>within one year          | 16 & 23      | 34,688               | 14,034               |
| Corporation tax  |              | -                    | 6,400                |
| Proposed dividend  |              | -                    | 40                   |
|  |              | <u>34,688</u>        | <u>20,474</u>        |
| <b>NET CURRENT ASSETS</b>                                  |              | <u>2,765</u>         | <u>15,856</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>               |              | <u>10,127</u>        | <u>21,167</u>        |
| Creditors: Amounts falling due<br>after more than one year | 16 & 23      | 127                  | 98                   |
| <b>NET ASSETS</b>  |              | <u><u>10,000</u></u> | <u><u>21,069</u></u> |
| <b>CAPITAL AND RESERVES</b>                                |              |                      |                      |
| Called-up share capital                                    | 18           | 999                  | 999                  |
| Share premium account                                      | 19           | 3                    | 3                    |
| Capital reserve  | 19           | 11                   | 11                   |
| Profit and loss account                                    | 19           | 8,987                | 20,056               |
|  |              | <u>10,000</u>        | <u>21,069</u>        |

The financial statements on pages 10 to 26 were approved by the Board of Directors on 26 November 1985 and were signed on its behalf by:

  
SIR CLIVE SINCLAIR: DIRECTOR

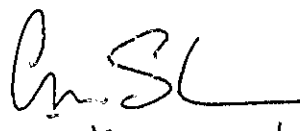
  
JOHN LEE: DIRECTOR

SINCLAIR RESEARCH LIMITED

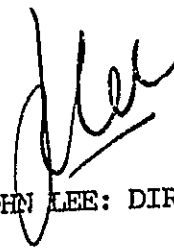
BALANCE SHEET AT 31 MARCH 1985

|  | <u>Notes</u> | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|--|--------------|---------------------|---------------------|
| <b>FIXED ASSETS</b>  |              |                     |                     |
| Tangible assets  | 10           | 7,362               | 5,311               |
| Investment in subsidiaries                                 | 11           | 169                 | 169                 |
|  |              | <u>7,531</u>        | <u>5,480</u>        |
| <b>CURRENT ASSETS</b>                                      |              |                     |                     |
| Net investment in finance leases                           | 12           | 214                 | 290                 |
| Stocks   | 14           | 21,334              | 13,625              |
| Debtors  | 15 & 16      | 15,672              | 13,828              |
| Cash at bank and in hand                                   |              | 214                 | 6,499               |
| Cash in stakeholders' accounts                             |              | -                   | 2,054               |
|  |              | <u>37,434</u>       | <u>36,296</u>       |
| <b>CURRENT LIABILITIES</b>                                 |              |                     |                     |
| Creditors: Amounts falling due<br>within one year          | 16 & 23      | 34,851              | 14,181              |
| Corporation tax  |              | -                   | 6,400               |
| Proposed dividend  |              | -                   | 40                  |
|  |              | <u>34,851</u>       | <u>20,621</u>       |
| <b>NET CURRENT ASSETS</b>                                  |              | <u>2,583</u>        | <u>15,675</u>       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>               |              | <u>10,114</u>       | <u>21,155</u>       |
| Creditors: Amounts falling due<br>after more than one year | 16 & 23      | 127                 | 98                  |
| <b>NET ASSETS</b>  |              | <u>9,987</u>        | <u>21,057</u>       |
| <b>CAPITAL AND RESERVES</b>                                |              |                     |                     |
| Called-up share capital                                    | 18           | 999                 | 999                 |
| Share premium account                                      | 19           | 3                   | 3                   |
| Profit and loss account                                    | 19           | 8,985               | 20,055              |
|  |              | <u>9,987</u>        | <u>21,057</u>       |

The financial statements on pages 10 to 26 were approved by the Board of Directors on 26 November 1985 and were signed on its behalf by:



SIR CLIVE SINCLAIR: DIRECTOR



JOHN LEE: DIRECTOR

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 MARCH 1985

|  | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|--|---------------------|---------------------|
| <b>FUNDS GENERATED FROM OPERATIONS</b>   |                     |                     |
| (Loss)/profit on ordinary activities<br>before taxation but after exceptional items                            | (18,318)            | 14,279              |
| Items not involving the movement of funds:   |                     |                     |
| Depreciation   | 1,727               | 725                 |
| Loss/(profit) on disposal of fixed assets  | 3                   | (2)                 |
|  | <hr/>               | <hr/>               |
| <b>FUNDS GENERATED FROM OPERATIONS</b>   | <b>(16,588)</b>     | <b>15,002</b>       |
| <b>SOURCE OF FUNDS</b>   |                     |                     |
| Government grants receivable   | 84                  | 309                 |
| Proceeds of disposals of tangible fixed assets   | 30                  | 349                 |
| Proceeds from hire purchase facility   | 150                 | -                   |
| Proceeds from leasing  | 84                  | 84                  |
|  | <hr/>               | <hr/>               |
| <b>TOTAL SOURCE OF FUNDS</b>   | <b>348</b>          | <b>742</b>          |
| <b>APPLICATION OF FUNDS</b>  |                     |                     |
| Purchase of tangible fixed assets  | 3,895               | 2,863               |
| Taxation paid  | 17                  | 9,823               |
| Dividend paid  | 40                  | 40                  |
| Repayment of lease financing   | 71                  | 43                  |
|  | <hr/>               | <hr/>               |
| <b>TOTAL APPLICATION OF FUNDS</b>  | <b>4,023</b>        | <b>12,769</b>       |
|  | <hr/>               | <hr/>               |
| <b>NET (APPLICATION)/SOURCE OF FUNDS</b>   | <b>(20,263)</b>     | <b>2,975</b>        |
|  | <hr/> <hr/>         | <hr/> <hr/>         |
| <br><b>THE NET (APPLICATION)/SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING MOVEMENTS IN WORKING CAPITAL:</b> |                     |                     |
| Increase in stocks   | 7,709               | 8,027               |
| Increase/(decrease) in debtors   | 978                 | (2,248)             |
| (Increase) in creditors falling due within one year  | (16,437)            | (4,638)             |
|  | <hr/>               | <hr/>               |
|  | (7,750)             | 1,141               |
| <br>Movements in net liquid funds:   |                     |                     |
| (Decrease) in cash at bank and in hand   | (6,292)             | (182)               |
| (Increase) in bank overdraft   | (4,167)             | -                   |
| (Decrease)/increase in cash in stakeholders' accounts  | (2,054)             | 2,016               |
|  | <hr/>               | <hr/>               |
|  | (12,513)            | 1,834               |
|  | <hr/>               | <hr/>               |
|  | (20,263)            | 2,975               |
|  | <hr/> <hr/>         | <hr/> <hr/>         |



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985

## 1. TURNOVER

|                                | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|--------------------------------|---------------------|---------------------|
| Geographical markets supplied: |                     |                     |
| United Kingdom                 | 62,141              | 52,643              |
| United States of America       | 40                  | 104                 |
| Other                          | 40,684              | 24,945              |
|                                | <u>102,865</u>      | <u>77,692</u>       |

## 2. NET OPERATING EXPENSES

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Increase in stocks                    | (25,179)      | (8,027)       |
| Raw materials and consumables         | 89,801        | 54,916        |
| Other external charges                | 10,675        | 5,721         |
| Staff costs (Note 3)                  | 2,587         | 1,731         |
| Depreciation of tangible fixed assets | 1,727         | 725           |
| Other operating charges               | 19,216        | 9,047         |
|                                       | <u>98,827</u> | <u>64,113</u> |

Other operating charges includes:

|                             |            |            |
|-----------------------------|------------|------------|
| Auditors' remuneration      | 35         | 25         |
| Hire of plant and equipment | 262        | 135        |
|                             | <u>297</u> | <u>160</u> |

The method of calculating the charge for depreciation on production plant for the flat television tube was changed during the year, as shown in the Accounting Policies. The effect of this change is to increase the charge by £111,279.

## 3. DIRECTORS AND EMPLOYEES

|                              | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|------------------------------|---------------------|---------------------|
| Staff costs during the year: |                     |                     |
| Wages and salaries           | 2,436               | 1,634               |
| Social Security costs        | 146                 | 92                  |
| Other pension costs          | 5                   | 5                   |
|                              | <u>2,587</u>        | <u>1,731</u>        |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. DIRECTORS AND EMPLOYEES (CONTINUED)

The average weekly number of persons employed by the group during the year was:

|                          | <u>1985</u><br>Number | <u>1984</u><br>Number |
|--------------------------|-----------------------|-----------------------|
| Sales and administration | 90                    | 48                    |
| Research and development | 50                    | 36                    |
|                          | <u>140</u>            | <u>84</u>             |
|                          | £000                  | £000                  |

Directors' remuneration:

Staff costs include the following remuneration in respect of directors of Sinclair Research Limited:

|                  |            |            |
|------------------|------------|------------|
| Fees             | 14         | 9          |
| Other emoluments | 475        | 409        |
|                  | <u>489</u> | <u>418</u> |

The directors' remuneration disclosed above includes amounts paid to:

|                       |    |    |
|-----------------------|----|----|
| The Chairman          | 53 | 77 |
| Highest paid director | 69 | 77 |

The number of other directors who received fees and other emoluments in the following ranges was:

|                   | Number    | Number    |
|-------------------|-----------|-----------|
| £ NIL - £ 5,000   | 4         | 3         |
| £ 5,001 - £10,000 | 1         | -         |
| £30,001 - £35,000 | -         | 2         |
| £35,001 - £40,000 | -         | 4         |
| £40,001 - £45,000 | 1         | -         |
| £45,001 - £50,000 | 2         | 1         |
| £50,001 - £55,000 | 3         | -         |
| £55,001 - £60,000 | 1         | -         |
| £65,001 - £70,000 | -         | 1         |
|                   | <u>11</u> | <u>11</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. DIRECTORS AND EMPLOYEES (CONTINUED)

The number of senior employees of Sinclair Research Limited, other than directors, who received remuneration in the following ranges was:

|                   | <u>1985</u><br>Number | <u>1984</u><br>Number |
|-------------------|-----------------------|-----------------------|
| £30,001 - £35,000 | 1                     | 1                     |
| £35,001 - £40,000 | -                     | 2                     |
| £40,001 - £45,000 | 3                     | -                     |
|                   | <u>      </u>         | <u>      </u>         |

4. INTEREST AND ROYALTIES RECEIVABLE

|                      | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|----------------------|---------------------|---------------------|
| Interest receivable  | 336                 | 701                 |
| Royalties receivable | 135                 | -                   |
|                      | <u>      </u>       | <u>      </u>       |
|                      | 471                 | 701                 |
|                      | <u>      </u>       | <u>      </u>       |

5. INTEREST PAYABLE

|   | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|---|---------------------|---------------------|
| On loans:                               |                     |                     |
| Repayable within 5 years by instalments | 49                  | 12                  |
|   | <u>      </u>       | <u>      </u>       |

6. EXCEPTIONAL ITEMS

|  | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|--|---------------------|---------------------|
| Write down of stocks to net<br>realisable value              | 17,472              | -                   |
| Provision for surplus component<br>commitments               | 3,732               | -                   |
| Provision against debt due by Prism<br>Microproducts Limited | 1,581               | -                   |
|  | <u>      </u>       | <u>      </u>       |
|  | 22,785              | -                   |
|  | <u>      </u>       | <u>      </u>       |

SINCLAIR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION

|  | <u>1985</u><br><u>£000</u> | <u>1984</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| UK Corporation tax in 1984 was provided at 50% |                            |                            |
| Current  | (6,778)                    | 6,466                      |
| Overprovision in respect of prior years:       |                            |                            |
| Current  | (471)                      | (28)                       |
|  | <u>(7,249)</u>             | <u>6,438</u>               |

The group has estimated tax losses of £5,327,000 which will be carried forward.

8. DIVIDEND

|  | <u>1985</u><br><u>£000</u> | <u>1984</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| Proposed dividend of Nil (1984 -- 1p) per ordinary share | -                          | 40                         |

9. PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption from presenting its own profit and loss account.

SINCLAIR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TANGIBLE FIXED ASSETS

GROUP AND COMPANY:

|                       | Freehold<br>Property<br>£000 | Short<br>Lease<br>hold<br>Property<br>£000 | Aircraft<br>and<br>Vehicles<br>£000 | Plant and<br>Equipment<br>£000 | Pro-<br>duction<br>Plant<br>£000 | Total<br>£000 |
|-----------------------|------------------------------|--|-------------------------------------|--------------------------------|----------------------------------|---------------|
| <b>COST</b>           |                              |  |                                     |                                |                                  |               |
| At 1 April 1984       | 2,160                        | 96   | 683                                 | 1,105                          | 2,664                            | 6,708         |
| Additions             | 1,267                        | 1  | 91                                  | 1,314                          | 1,222                            | 3,895         |
| Transfers             | -                            | -  | -                                   | (40)                           | 40                               | -             |
| Government grants     | -                            | -  | -                                   | -                              | (84)                             | (84)          |
| Disposals             | -                            | -  | (35)                                | (2)                            | -                                | (37)          |
| At 31 March 1985      | <u>3,427</u>                 | <u>97</u>                                  | <u>739</u>                          | <u>2,377</u>                   | <u>3,842</u>                     | <u>10,482</u> |
| <b>DEPRECIATION</b>   |                              |  |                                     |                                |                                  |               |
| At 1 April 1984       | 64                           | 16   | 227                                 | 402                            | 688                              | 1,397         |
| Transfers             | -                            | -  | -                                   | (8)                            | 8                                | -             |
| Charge for year       | 332                          | 11   | 102                                 | 530                            | 752                              | 1,727         |
| Disposals             | -                            | -  | (4)                                 | -                              | -                                | (4)           |
| At 31 March 1985      | <u>396</u>                   | <u>27</u>                                  | <u>325</u>                          | <u>924</u>                     | <u>1,448</u>                     | <u>3,120</u>  |
| <b>NET BOOK VALUE</b> |                              |  |                                     |                                |                                  |               |
| At 31 March 1985      | <u>3,031</u>                 | <u>70</u>                                  | <u>414</u>                          | <u>1,453</u>                   | <u>2,394</u>                     | <u>7,362</u>  |
| At 31 March 1984      | <u>2,196</u>                 | <u>80</u>                                  | <u>456</u>                          | <u>703</u>                     | <u>1,976</u>                     | <u>5,311</u>  |

The cumulative amount of Government grants deducted from the cost of production plant is £1,923,455 (1984 - £1,839,902) of which Government Grants receivable under section 7 of the Industry Act 1972 amount to £1,229,715.

SINCLAIR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN SUBSIDIARIES

|                      | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|----------------------|---------------------|---------------------|
| Shares at cost       | 253                 | 253                 |
| Goodwill written off | (84)                | (84)                |
|                      | <u>169</u>          | <u>169</u>          |

The group holds 100% of the issued share capital of the following companies:

| <u>Subsidiary</u>                        | <u>Nature of business</u> |
|--|---------------------------|
| Incorporated in Great Britain:           |                           |
| Sinclair Equipment International Limited | Leasing                   |
| Sinclair Research (UK) Limited           | Non-trading               |
| Incorporated in Australia:               |                           |
| Sinclair Research Pty Limited            | Non-trading               |

12. NET INVESTMENT IN FINANCE LEASES

The net investment in finance leases represents future amounts due from lessees, excluding finance charges, as follows:

|             | GROUP               |                     | COMPANY             |                     |
|-------------|---------------------|---------------------|---------------------|---------------------|
|             | <u>1985</u><br>£000 | <u>1984</u><br>£000 | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
| Current     | 83                  | 84                  | 77                  | 77                  |
| Non-current | 150                 | 233                 | 137                 | 213                 |
|             | <u>233</u>          | <u>317</u>          | <u>214</u>          | <u>290</u>          |

13. CAPITAL COMMITMENTS

|  | GROUP AND COMPANY   |                     |
|--|---------------------|---------------------|
|  | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
| Authorised but not contracted for                                | <u>Nil</u>          | <u>500</u>          |
| Contracted for, but not provided for in the financial statements | <u>445</u>          | <u>570</u>          |

SINCLAIR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. STOCKS

|                  | GROUP AND COMPANY |               |
|------------------|-------------------|---------------|
|                  | <u>1985</u>       | <u>1984</u>   |
|                  | <u>£000</u>       | <u>£000</u>   |
| Stocks comprise: |                   |               |
| Hardware         | 19,863            | 7,198         |
| Software         | 484               | 1,412         |
| Components       | 511               | 4,978         |
| Work in progress | 476               | 37            |
|                  | <u>21,334</u>     | <u>13,625</u> |

Hardware includes computers, valued at the lower of cost and net realisable value, which are awaiting repair or upgrading. In determining net realisable value the cost of repair and upgrading has been taken into account.

15. DEBTORS

|   | GROUP AND COMPANY |               |
|---|-------------------|---------------|
|   | <u>1985</u>       | <u>1984</u>   |
|   | <u>£000</u>       | <u>£000</u>   |
| Amounts falling due within one year:          |                   |               |
| Trade debtors                                 | 10,593            | 11,425        |
| Other debtors                                 | 4,974             | 1,999         |
|   | <u>15,567</u>     | <u>13,424</u> |
| Amounts falling due after more than one year: |                   |               |
| Other debtors                                 | 105               | 404           |
|   | <u>15,672</u>     | <u>13,828</u> |

SINCLAIR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. CREDITORS

|  | GROUP         |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | <u>1985</u>   | <u>1984</u>   | <u>1985</u>   | <u>1984</u>   |
|  | <u>£000</u>   | <u>£000</u>   | <u>£000</u>   | <u>£000</u>   |
| Amounts falling due within one year:             |               |               |               |               |
| Current instalments on lease financing and loans | 108           | 58            | 108           | 58            |
| Bank overdrafts                                  | 4,167         | -             | 4,167         | -             |
| Trade creditors                                  | 24,361        | 11,284        | 24,361        | 11,284        |
| Amounts owed to subsidiaries                     | -             | -             | 163           | 149           |
| Taxation and social security payable             | 654           | 93            | 654           | 93            |
| Payments in advance of mail order sales          | -             | 1,724         | -             | 1,724         |
| Other creditors and accruals                     | 1,666         | 875           | 1,666         | 873           |
| Provisions                                       | 3,732         | -             | 3,732         | -             |
|  | <u>34,688</u> | <u>14,034</u> | <u>34,851</u> | <u>14,181</u> |

Amounts falling due after more than one year:

Instalments due on lease financing and loans:

|                |            |           |            |           |
|----------------|------------|-----------|------------|-----------|
| In 1 - 2 years | 90         | 58        | 90         | 58        |
| In 2 - 5 years | 37         | 40        | 37         | 40        |
|                | <u>127</u> | <u>96</u> | <u>127</u> | <u>98</u> |

Since 31 March 1985 the company has granted a fixed charge to Barclays Bank plc on the freehold property and the intellectual property rights of the company.

On 16 May 1985 additional facilities of £2 million were given by Barclays Bank plc through a second account, the security for which is a fixed charge on the company's debtors.

See also Note 23.



SINCLAIR RESEARCH LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 17. DEFERRED TAXATION

The total potential liability for deferred taxation is as follows:

|   | GROUP AND COMPANY   |                     |
|---|---------------------|---------------------|
|   | <u>1985</u><br>£000 | <u>1984</u><br>£000 |
| The cumulative tax effect of timing differences arising from: |                     |                     |
| Excess of capital allowances over depreciation                | 2,078               | 1,534               |
| Other   | (120)               | (23)                |
| Losses  | (1,958)             | -                   |
|   | <u>-</u>            | <u>1,511</u>        |

## 18. CALLED-UP SHARE CAPITAL

Authorised:

4,000,000 ordinary shares of 25p each

| <u>1985</u><br>£000 | <u>1984</u><br>£000 |
|---------------------|---------------------|
|---------------------|---------------------|

|              |              |
|--------------|--------------|
| <u>1,000</u> | <u>1,000</u> |
|--------------|--------------|

Allotted, called-up and fully paid:

3,996,100 ordinary shares of 25p each

|            |            |
|------------|------------|
| <u>999</u> | <u>999</u> |
|------------|------------|

## 19. SHARE PREMIUM ACCOUNT AND RESERVES

|                            | <u>Share<br/>Premium<br/>Account</u><br>£000 | <u>Capital<br/>Reserve</u><br>£000 | <u>Group<br/>Profit<br/>&amp; Loss<br/>Account</u><br>£000 | <u>Company<br/>Profit<br/>&amp; Loss<br/>Account</u><br>£000 |
|----------------------------|--|------------------------------------|--|--|
| At 1 April 1984            | 3  | 11                                 | 20,056   | 20,055   |
| Retained loss for the year | -  | -                                  | (11,069)   | (11,070)   |
| At 31 March 1985           | <u>3</u>                                     | <u>11</u>                          | <u>8,987</u>   | <u>8,985</u>   |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. CONTINGENT LIABILITIES

(a) Patent Infringement

The company has been informed of an action which has been started in the USA in relation to an alleged patent infringement and in respect of which damages are being sought. The directors estimate that the maximum amount of any damages which might arise under this action should not exceed \$5,000,000 (£4,052,000) plus interest and costs. In addition triple damages are being sought.

The directors having taken legal advice do not consider that any liability is likely to arise and no provision has been made in these accounts.

(b) Government Grants

Government grants receivable under Section 7 of the Industry Act 1972 in respect of the flat television tube project are refundable in the event of the project being discontinued at Dundee before 31 December 1986. At the balance sheet date, credit had been taken for £1,229,715 in respect of these grants.

A proportion of the regional development grants received is also repayable if the project is removed from a regional development area.

21. FINANCIAL COMMITMENTS

During the year, a sub-contractor purchased components for incorporation in products which will be invoiced to the company in due course. At 31 March 1985 the stock of components held by the sub-contractor and not invoiced to the company was valued at £1,267,288 (1984 - £2,159,077).

22. RESERVATION OF TITLE

Goods delivered by the company remain, to the extent permitted by the law of the Country where the goods are situated after delivery, the property of the company until payment has been effected. The company also purchases components and finished goods from several of its suppliers with reservation of title.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. POST BALANCE SHEET EVENT

On 24 August 1985 an agreement was signed between the company and Barclays Bank, acting on behalf of the major creditors. The agreement granted to Barclays Bank and the major creditors a mortgage over all the freehold and leasehold property of the company, a fixed charge over all future land and buildings, all book debts, other monetary debts and claims, all stocks and shares and other interests, the goodwill, the uncalled capital of the company both present and future and a floating charge over all the undertaking and all property and assets of the company.

24. TRANSACTIONS WITH AND LOANS TO DIRECTORS

Amounts expended during the year on behalf of the chairman, Sir Clive Sinclair, amounted to £319,098. The maximum liability of the chairman, at any time during the year was £146,209. At 31 March 1985 the company owed Sir Clive Sinclair £1,198.

Teamwork (UK) Limited, of which Christopher Fawkes is a director, have provided consultancy services to the company during the year amounting to £20,511.