Deloitte & Touche

Deloitte Touche Tohmatsu International

Company Registration No. 2833057

KANTONE (UK) LIMITED

Report and Financial Statements

30 June 1996

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

Deloitte & Touche

Deloitte Touche Tohmatsu International

REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul Kan Man Lok (Chairman)
Kenneth Kong Siu Chee
Terry J Miller
John R M Sutton
Anthony Herman
Paul M J Kirby

SECRETARY

Anthony Herman

REGISTERED OFFICE

11 Church Road
Tunbridge Wells
Kent TN1 1JA

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is the holding of an investment in Multitone Electronics PLC, a British manufacturer of specialised radio communication systems for sale and lease.

REVIEW OF DEVELOPMENTS

The year to 30 June 1996 has been a difficult one for the group and has also seen the initiation of a programme of change which is expected to lead to a more successful future.

In November 1995 a period of change was initiated, which saw the appointment of a new Chief Executive of Multitone Electronics PLC on 1 January 1996 who has accepted the task of making the company profitable and bringing operations more into line with the group's objectives.

It was, however, with regret that it was announced in March that the London office of Multitone Electronics PLC and Paging Systems Limited (a small subsidiary based in Edmonton) were to close with a total of 80 people becoming redundant. These closures were necessary to contain costs and savings in overhead costs of over £1 million a year are expected to result. Opportunity has also been taken to simplify the group structure.

The last six months of the year have thus not been without problems, but the new year is seen as one of opportunity, with the new organisation being integrated into existing offices in Basingstoke and having introduced to it a sharper focus on customer requirements for both UK and International markets.

The detailed results for the year are set out in the consolidated profit and loss account on page 5. Turnover for the year was £32,092,000 (1995 - £28,008,000) and the loss on ordinary activities before taxation was £3,139,000 (1995 - £624,000). The loss for the year after taxation was £3,006,000 (1995 - £776,000).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year are as shown below:

P Kan Man Lok
K Kong Siu Chee
T J Miller
J R M Sutton
P M J Kirby
A Herman

The directors do not have any share interests required to be disclosed under Schedule 7 of the Companies Act 1985.

SUBSTANTIAL HOLDINGS

As at 30 June 1996 the entire issued share capital was held by MC Holdings Limited, a subsidiary of Champion Technology Holdings Limited.

RESEARCH AND DEVELOPMENT

Expenditure on research and development continues at a high level so that the group may consistently update and expand its product range and hence improve its competitive position. The expenditure will continue at broadly the same real level in the foreseeable future.

PAYMENTS TO SUPPLIERS

It is the company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

DIRECTORS' REPORT

DISABLED PERSONS

The group pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

EMPLOYEE INVOLVEMENT

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors influencing the performance of the group.

CLOSE COMPANY PROVISIONS

In the opinion of the directors, the company is not a close company as defined in the Income and Expenditure Taxes Act 1988.

DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche were appointed as auditors to the company during the year. They have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A Herman

A Herman
Secretary

18 September 1996

Deloitte &
Touche

Chartered Accountants

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

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KANTONE (UK) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 21 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 1996 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

18 September 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 June 1996

	Note	1996 £'000	1995 £'000
CONTINUING OPERATIONS			
TURNOVER	2	32,092	28,008
Cost of sales		(29,405)	(24,749)
Gross profit		2,687	3,259
Other operating expenses	3	(4,312)	(2,548)
OPERATING (LOSS)/PROFIT		(1,625)	711
Net interest payable	6	(1,514)	(1,335)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4, 5	(3,139)	(624)
Tax credit/(charge) on loss on ordinary activities	7	133	(152)
Retained loss for the year		(3,006)	(776)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 1996

	1996 £'000	1995 £'000
Loss for the financial year	(3,006)	(776)
Currency translation differences on foreign currency net investments	(143)	71
Total recognised gains and losses relating to the year	(3,149)	(705)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 June 1996

	1996 £'000	1995 £'000
Loss for the financial year	(3,006)	(776)
Other recognised gains and losses relating to the year (net)	(143)	71
Net reduction in shareholders' funds	(3,149)	(705)
Opening shareholders' funds	(9,246)	(8,541)
Closing shareholders' funds	(12,395)	(9,246)

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CONSOLIDATED BALANCE SHEET
30 June 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	8	7,268	7,571
CURRENT ASSETS			
Stocks	10	5,555	6,492
Debtors	11	7,190	8,131
Cash at bank and in hand		436	312
		13,181	14,935
CREDITORS: amounts falling due within one year	12	(30,915)	(30,104)
NET CURRENT LIABILITIES		(17,734)	(15,169)
TOTAL ASSETS LESS CURRENT LIABILITIES		(10,466)	(7,598)
CREDITORS: amounts falling due after more than one year	13	(1,621)	(1,142)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(308)	(506)
NET LIABILITIES		(12,395)	(9,246)
CAPITAL AND RESERVES			
Called up share capital	15	5,500	5,500
Other reserves	16	(14,805)	(14,805)
Profit and loss account	16	(3,090)	59
Deficiency of equity shareholders' funds		(12,395)	(9,246)

These financial statements were approved by the Board of Directors on 18 September 1996.

Signed on behalf of the Board of Directors

Kenneth Kong Siu Chee
Director

BALANCE SHEET
30 June 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Investment in subsidiary undertakings	9	22,395	22,395
CURRENT ASSETS			
Debtors	11	100	100
CREDITORS: amounts falling due within one year	12	(19,324)	(18,155)
NET CURRENT LIABILITIES		(19,224)	(18,055)
NET ASSETS		3,171	4,340
CAPITAL AND RESERVES			
Called up share capital	15	5,500	5,500
Profit and loss account	16	(2,329)	(1,160)
Equity shareholders' funds		3,171	4,340

These financial statements were approved by the Board of Directors on 18 September 1996.

Signed on behalf of the Board of Directors

Kenneth Kong Siu Chee
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 1996

	Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Net cash inflow from operating activities	17		3,578		2,564
Returns on investments and servicing of finance					
Interest received		4		4	
Interest paid		(1,004)		(1,325)	
Interest element of finance lease rentals		(130)		(79)	
Net cash outflow from returns on investments and servicing of finance			(1,130)		(1,400)
Taxation					
Tax (paid)/received			(49)		1
Investing activities					
Payments to acquire tangible fixed assets		(2,134)		(2,968)	
Sale of tangible fixed assets		53		96	
Net cash outflow from investing activities			(2,081)		(2,872)
			318		(1,707)
Financing					
Capital element of finance lease repayments		(578)		(362)	
Net cash outflow from financing			(578)		(362)
Decrease in cash and cash equivalents	18		(260)		(2,069)

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of Kantone (UK) Limited and all of its subsidiaries. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the cash paid over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

No profit and loss account is prepared for Kantone (UK) Limited as provided by Section 230 of the Companies Act 1985. Included in the consolidated loss for the financial year is a loss of £1,169,000 (1995 - £1,095,000) which was attributable to the shareholders of Kantone (UK) Limited.

Foreign currencies

In the financial statements of individual companies, transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rate as of the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in related forward exchange contracts. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as a translation gain or loss in the profit and loss account. For the purposes of consolidation the closing rate method is used, under which translation gains or losses are shown as a movement on reserves. Profit and loss accounts of overseas subsidiaries are translated at the average exchange rate during the year.

Turnover

Turnover principally comprises the invoiced value of goods and services supplied by group companies to third parties and, where the group is engaged in the supply of goods and services under contracts which in total may exceed one year in duration, it comprises the invoiced value of work carried out to the accounting date. Turnover is exclusive of VAT and relevant sales taxes and after elimination of all intercompany transactions, and is net of returns, trade discounts and allowances.

Pension costs

Pension costs comprise the regular pension cost less the amortisation of any pension surplus and other pension cost variations, as advised by external actuaries (see note 5).

Equipment out on hire

Equipment hired out to customers under operating lease rental contracts is included in fixed assets at total cost incurred in bringing the equipment to the point of rental. This includes direct manufacturing costs, installation costs plus an allocation of selling costs. The profit and loss account is credited with the rental income due for the period under the terms of the contracts. To the extent that billings are recorded in advance of the relevant turnover these are included in deferred income.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

1. **ACCOUNTING POLICIES (continued)**

Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Freehold land	No depreciation
Freehold buildings	50 years
Long leasehold	50 years
Short leasehold property	Unexpired term
Equipment out on hire	The term of each contract
Plant and equipment	3-10 years
Production tools and test equipment	5 years

Investments

Fixed asset investments are shown at cost less provisions for permanent diminutions in value. Provisions for temporary fluctuations in value are not made. Dividend income is included (together with the related tax credit) in the consolidated financial statements of the year in which it is receivable for both fixed and current asset investments.

Lease

The group enters into operating and finance leases as described in note 21.

Assets held under finance leases are initially recorded at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the lease term, this being its estimated useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged on a straight line basis over the lease term.

Research and development

All expenditure on research and development is written off as incurred. No book value is attributable to patents.

Stocks

Stocks, including work in progress, are valued at the lower of cost and net realisable value. Cost comprises prime costs of materials and direct labour together with overhead expenses relating to manufacture.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The taxation benefits arising from group relief are recognised in the financial statements of the recipient companies. Advance corporation tax payable on dividends paid or provided for in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. No provision is made for taxation which might be payable in the event of either a distribution of reserves of overseas subsidiaries or the sale of revalued property as no such event is envisaged in the foreseeable future which will give rise to a material liability.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

2. TURNOVER

	1996 £'000	1995 £'000
Analysis by geographical market:		
United Kingdom	10,207	9,571
North America	395	571
France and Germany	12,271	10,394
Other European	3,029	3,995
Rest of world	6,190	3,477
Total overseas	21,885	18,437
	32,092	28,008

All the group's turnover arises from its principal activity of providing specialised radio communication systems for sale and lease.

The results and net assets by geographical market have not been disclosed as the directors consider this would be seriously prejudicial to the commercial interests of the group.

3. OTHER OPERATING EXPENSES

	1996 £'000	1995 £'000
Distribution costs	227	328
Administrative expenses	4,085	2,220
	4,312	2,548

Included within administrative expenses are exceptional costs of £1,336,000 which arose on the reorganisation of the group's activities which took place during the year.

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss is stated after charging the following:

	1996 £'000	1995 £'000
Research and development	2,361	2,474
Depreciation		
owned equipment	1,695	1,765
under finance leases equipment	597	315
Operating lease rentals		
plant and equipment	693	627
other	429	517
Directors' emoluments		
remuneration as management and pension contributions	37	53
Auditors' remuneration		
audit services	84	93
other services	-	38

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

5. STAFF COSTS

The chairman and directors received £nil remuneration in this and the preceding year.

	1996 £'000	1995 £'000
Staff costs		
Wages and salaries	11,812	10,711
Social security costs	1,365	1,263
Other pension costs	215	142
	13,392	12,116

	1996 No	1995 No
The average number of persons employed by the group during the year was:		
Development and manufacture	297	280
Sales and service	180	178
Administration	76	68
	553	526
United Kingdom	413	384
Overseas	140	142
	553	526

Pensions arrangements

In the United Kingdom the group operates a self-administered, funded pension scheme which is contracted out of the state pension scheme. The scheme provides defined pension benefits related to service and final earnings and capital sums on death. Membership is optional for all staff paid monthly and aged over 21 years.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 January 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries, pensions and share dividends. It was assumed that the investment returns would be 9.5% per annum, that salary increases would average 7.0% per annum with an addition for promotional increases, that the guaranteed minimum pensions accruing after 5 April 1997 would increase at the rate of 3% per annum, and that share dividends increase at 5% per annum.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

5. **STAFF COSTS (continued)**

The most recent actuarial valuation showed that the market value of the scheme's assets were £10,365,010 and that the actuarial value of these assets represented 117% of the benefits that had accrued to members. The surplus of £1,279,000 is being amortised as a constant percentage of pensionable salaries over the expected remaining service lives of current employees in the pension scheme estimated at 13.5 years.

The pension charge for the year for the scheme was £215,000 (1995 - £143,000) made up to a regular cost of £381,000 less variations from regular cost of £166,000.

The group also operates an insured scheme in an overseas company for certain senior management of that company.

6. **NET INTEREST PAYABLE**

	1996 £'000	1995 £'000
Bank interest receivable	(4)	(4)
Interest payable on finance leases	130	79
Interest payable on bank loans and overdrafts repayable within five years	1,388	1,260
	1,514	1,335

7. **TAX CREDIT/(CHARGE) ON LOSS ON ORDINARY ACTIVITIES**

The taxation credit/(charge) comprises:

	1996 £'000	1995 £'000
United Kingdom taxation:		
Corporation tax at 33% (1995 - 33%)	-	(4)
Deferred tax	209	(105)
	209	(109)
Overseas taxation	(76)	(43)
	133	(152)

The tax charge for Multitone Electronics PLC and its subsidiaries has been included in the consolidated tax charge for the Kantone (UK) Group. Deferred tax provisions are no longer required in the United Kingdom due to losses incurred in the year and all such provisions have been released in the current period.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

8. TANGIBLE FIXED ASSETS

GROUP	Land and buildings £'000	Equipment on hire £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 July 1995	1,165	7,121	9,583	17,869
Translation adjustment	-	(57)	(65)	(122)
Additions	-	1,315	764	2,079
Disposals	-	(330)	(392)	(722)
At 30 June 1996	1,165	8,049	9,890	19,104
Depreciation				
At 1 July 1995	386	3,197	6,715	10,298
Translation adjustment	1	(31)	(55)	(85)
Depreciation for year	26	1,234	1,032	2,292
Disposals	-	(303)	(366)	(669)
At 30 June 1996	413	4,097	7,326	11,836
Net book value				
At 30 June 1996	752	3,952	2,564	7,268
At 30 June 1995	779	3,924	2,868	7,571
Leased assets included in the above:				
Net book value 30 June 1996	-	1,641	566	2,207
Net book value 30 June 1995	-	604	706	1,310

	Group 1996 £'000	Group 1995 £'000
Commitments for future capital expenditure		
Expenditure authorised at year end:		
Contracted for	215	324
Not contracted for	279	348
	494	672

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

9. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	1996 £'000	1995 £'000
Shares in Multitone Electronics PLC - at cost	22,395	22,395

The investment in subsidiary undertakings consists of 100% of the ordinary share capital of Multitone Electronics PLC, a company incorporated in Great Britain and registered in England and Wales.

The subsidiary undertakings are wholly owned and are incorporated in the United Kingdom except where otherwise indicated.

Design, manufacturing & sales		Multitone Electronics PLC
Sales	*	Multiton Electronik GmbH (Germany)
	***	Multiton Electronik GmbH (Austria)
	*	Paging Systems Limited
Rental	*	Multitone Rentals Limited
Manufacturing	**	Multitone Electronics Sdn Bhd (Malaysia)
Non-trading	*	Multitone Communications Limited
	*	Multitone Electronique SA (France)
	*	Multitone Communication Systems Limited
	*	Infopage Limited

* Owned by Multitone Electronics PLC

** Owned by Multitone Communications Systems Limited

*** Owned by Multiton Electronik GmbH

The principal country of operation for all trading subsidiaries is the same as their country of incorporation.

10. STOCKS

	Group 1996 £'000	1995 £'000
Raw materials, purchased components and spares	3,217	3,232
Work in progress	365	712
Finished goods	1,973	2,548
	5,555	6,492

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

11. DEBTORS

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Trade debtors	4,454	5,456	-	-
Amounts due from parent company	1,505	1,186	-	-
Amounts due from subsidiary undertaking	-	-	100	100
Other debtors	830	1,149	-	-
Prepayments and accrued income	401	340	-	-
	7,190	8,131	100	100

	Group 1996 £'000	Group 1995 £'000
Amounts falling due after more than one year included above:		
Other debtors	111	118
Prepayments and accrued income	50	72
	161	190

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Bank loans	16,700	16,700	16,700	16,700
Bank overdrafts	3,159	2,775	59	-
Trade creditors	2,150	3,449	-	-
Amounts due to parent company	2,565	1,855	2,565	1,455
Corporation tax	81	6	-	-
VAT and other sales taxes	385	628	-	-
Payroll taxes and social security	371	306	-	-
Other creditors and accruals	2,786	2,389	-	-
Obligations due under finance leases	703	362	-	-
Deferred income	2,015	1,634	-	-
	30,915	30,104	19,324	18,155

The borrowings of Multitone Electronics PLC and its subsidiary companies are guaranteed by all the companies in that group.

The bank loan is an unsecured loan from Midland Bank Plc which matures on 19 June 1997. The security for this loan is provided by a similar deposit lodged by the ultimate parent company.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1996 £'000	Group 1995 £'000
Finance leases	1,451	967
Overseas pensions	170	175
	1,621	1,142

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1996 £'000	Group 1995 £'000
Provisions for liabilities and charges comprise:		
Warranty provision	279	220
Deferred taxation	29	286
	308	506
Warranty provision (set aside to cover costs in respect of goods supplied under warranty):		
At 1 July	220	204
Provided in year	182	127
Utilised	(123)	(111)
At 30 June	279	220
Deferred taxation		
Deferred taxation, currently provided in full, is attributable to:		
Accelerated relief on capital allowances	405	602
Other short-term timing differences	(129)	(67)
Advance corporation tax / losses recoverable	(247)	(249)
	29	286
The movement in the year comprises:		
At 1 July	286	108
Charged/(credited) to profit and loss account in respect of:		
Capital allowances	(197)	352
Other short-term timing differences	(62)	(67)
Advance corporation tax / losses	2	(107)
At 30 June	29	286

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

15. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
100 ordinary shares of £1 each	100	100
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
	10,000,100	10,000,100
Allotted and fully paid		
1 ordinary share of £1	1	1
5,500,000 ordinary shares of £1 each	5,500,000	5,500,000
	5,500,001	5,500,001

16. RESERVES

	Group		Company
	Goodwill reserve £'000	Profit and loss £'000	Profit and loss £'000
At 1 July 1995	(14,805)	59	(1,160)
Translation adjustment	-	(143)	-
Retained loss for year	-	(3,006)	(1,169)
At 30 June 1996	(14,805)	(3,090)	(2,329)

The translation adjustment of £143,000 represents an unrealised loss arising on the translation of the net assets of the overseas subsidiaries into sterling at the year end.

17. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £'000	1995 £'000
Operating (loss)/profit	(1,625)	711
Depreciation charges	2,292	2,080
Decrease/(increase) in stocks	937	(2,209)
Decrease/(increase) in debtors	941	(1,954)
Increase in creditors	831	3,836
Loss on sale of fixed assets	-	13
Increase in warranty provision	59	16
Exchange differences	143	71
Net cash inflow from operating activities	3,578	2,564

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

18. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996 £'000	1995 £'000
At 1 July	(2,463)	(394)
Net cash outflow	(260)	(2,069)
At 30 June	(2,723)	(2,463)

19. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £'000	1995 £'000	Change in year £'000
Cash and cash equivalents	436	312	124
Bank loans and overdrafts	(3,159)	(2,775)	(384)
	(2,723)	(2,463)	(260)

20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital £'0000	Net loans £'000	Finance leases £'000
At 1 July 1995	5,500	16,700	1,329
Inception of finance leases	-	-	1,403
Cash outflow from financing	-	-	(578)
At 30 June 1996	5,500	16,700	2,154

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

21. COMMITMENTS AND OTHER CONTINGENT LIABILITIES

	Group	
	Land and buildings £'000	Plant and equipment £'000
Operating leases which expire:		
Within one year	170	460
In two to five years	694	343
In more than five years	191	5
	1,055	808

The rents payable under the operating leases included above relating to certain office and light industrial premises are subject to re-negotiation at various intervals in the leases. In addition, there is a long lease expiring in 2072 at a current annual ground rental of approximately £696 (1995 - £582).

	Group £'000
Finance leases which are payable:	
Within one year	703
In two to five years	353
In more than five years	1,098
	2,154

22. ULTIMATE PARENT COMPANY

a company

The company is a subsidiary undertaking of Champion Technology Holdings Limited, incorporated in the Cayman Islands.

A letter of continuing financial support for the next 12 months has been received from the company's ultimate parent company, Champion Technology Holdings Limited. The largest group in which the results of Kantone (UK) Limited and its subsidiary undertakings are consolidated is that headed by Champion Technology Holdings Limited, whose principal place of business is in Hong Kong. The consolidated accounts of this group are available to the public and may be obtained from Champion Technology Holdings Limited, 9th and 10th Floors, 1 Ning Foo Street, Chai Wan, Hong Kong.

Parent companies	Immediate	Ultimate
Kantone (UK) Limited	MC Holdings Limited	Champion Technology Holdings Limited
Multitone Electronics PLC	Kantone (UK) Limited	Champion Technology Holdings Limited