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ARTHUR ANDERSEN & CO. SC

Kantone (UK) Limited

Consolidated Financial Statements 30 June 1995
together with directors' and auditors' reports

Registered number: 2833057



Directors:

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

Company Secretary:

Anthony Herman

Registered Office:

11 Church Road
Tunbridge Wells
Kent TN1 1JA

Registered in England
Company Number 2833057

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Directors' report

For the year ended 30 June 1995

The directors present their report on the affairs of the group together with the financial statements and auditors' report for the year ended 30 June 1995.

Principal activity

The principal activity of the Company is in the holding of an investment in Multitone Electronics Plc, a British manufacturer of specialised radio communication systems for sale and for hiring out under contract.

Business review

The detailed results for the year are set out in the consolidated profit and loss account on page 5. Turnover for the year was £28,008,000 (1994 - 6 months to 30 June 1994 £14,595,000) and the loss on ordinary activities before taxation was £624,000 (1994 - 6 months to 30 June 1994 profit of £864,000). The loss for the year after taxation was £776,000 (1994 - 6 months to 30 June 1994 profit of £755,000).

Directors and their interests

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

P Kan Man Lok	
T Chellew	(died 3 January 1995)
K Kong Siu Chee	
CG Greaves	(resigned 28 February 1995)
TJ Miller	
JRM Sutton	
PMJ Kirby	(appointed 25 January 1995)
A Herman	(appointed 22 February 1995)

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

Substantial shareholdings

As at 30 June 1995 the entire issued share capital was held by MC Holdings Limited, a subsidiary of Champion Technology Holdings Limited.

Tangible fixed assets

Full details of the expenditure on tangible fixed assets are set out in note 8 to the financial statements.

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.

Disabled persons

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

Directors' report (continued)

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 Corporation 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 group and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Directors' report (continued)

Liability insurance for company officers

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors and officers against liabilities in relation to the company.

11 Church Road
Tunbridge Wells
Kent
TN1 1JA

By order of the Board,


A Herman

Secretary

6 September 1995

Auditors' report

To the Shareholders of Kantone (UK) Limited:

We have audited the financial statements on pages 5 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 circumstances of the company and of the group, 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 of the group at 30 June 1995 and of the group's loss and cash flows for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge CB2 1LH

6 September 1995

Consolidated profit and loss account

For the year ended 30 June 1995

		Year ended	6 months
	Notes	30 June	ended
		1995	30 June
		£'000	1994
			£'000
Turnover	2	28,008	14,595
Cost of sales		(24,749)	(12,173)
Gross profit		3,259	2,422
Other operating expenses	3	(2,548)	(1,385)
Operating profit		711	1,037
Net interest	6	(1,335)	(173)
(Loss)/profit on ordinary activities before taxation	4, 5	(624)	864
Taxation	7	(152)	(109)
Retained (loss)/profit for the year		(776)	755

. The accompanying notes are an integral part of this profit and loss account

Statement of total recognised gains and losses

For the year ended 30 June 1995

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
(Loss)/profit for the financial year	(776)	755
Currency translation differences on foreign currency net investments	71	9
Total recognised gains and losses relating to the year	(705)	764

Reconciliation of movements in shareholders' funds

For the year ended 30 June 1995

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
(Loss)/profit for the financial year	(776)	755
Other recognised gains and losses relating to the year (net)	71	9
New share capital subscribed	-	5,500
Goodwill written off	-	(14,805)
Net reduction in shareholders' funds	(705)	(8,541)
Opening shareholders' funds	(8,541)	-
Closing shareholders' funds	(9,246)	(8,541)

Consolidated balance sheet

30 June 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	8	7,571	6,364
Current assets			
Stocks	10	6,492	4,283
Debtors	11	8,131	6,177
Cash at bank and in hand		312	192
		<u>14,935</u>	<u>10,652</u>
Creditors: Amounts falling due within one year	12	(30,104)	(24,106)
Net current liabilities		<u>(15,169)</u>	<u>(13,454)</u>
Total assets less current liabilities		(7,598)	(7,090)
Creditors: Amounts falling due after more than one year	13	(1,142)	(1,139)
Provisions for liabilities and charges	14	(506)	(312)
Net liabilities		<u>(9,246)</u>	<u>(8,541)</u>
Capital and reserves			
Called-up share capital	15	5,500	5,500
Other reserves	16	(14,805)	(14,805)
Profit and loss account	16	59	764
Deficiency of shareholders' funds		<u>(9,246)</u>	<u>(8,541)</u>

Signed on behalf of the Board

Kenneth Kong Siu Chee

Director



6 September 1995

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet


30 June 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Investment in subsidiary undertakings	9	22,395	22,495
Current assets			
Debtors		100	-
Creditors: Amounts falling due within one year	12	(18,155)	(17,060)
Net current liabilities		<u>(18,055)</u>	<u>(17,060)</u>
Net assets		<u>4,340</u>	<u>5,435</u>
Capital and reserves			
Called-up share capital	15	5,500	5,500
Profit and loss account	16	(1,160)	(65)
Shareholders' funds		<u>4,340</u>	<u>5,435</u>

Signed on behalf of the Board

Kenneth Kong Siu Chee

Director



6 September 1995

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the year ended 30 June 1995

	Notes	Year ended 30 June 1995		6 months ended 30 June 1994	
		£'000	£'000	£'000	£'000
Operating activities					
Operating profit		711		1,037	
Depreciation charges		2,080		1,097	
(Increase)/decrease in stocks		(2,209)		557	
(Increase) in debtors		(1,954)		(1,740)	
Increase in creditors		3,836		3,115	
Loss on sale of fixed assets		13		-	
Increase in warranty provision		16		15	
Exchange differences		71		11	
Net cash inflow from operating activities			2,564		4,092
Returns on investments and servicing of finance					
Interest received		4		15	
Interest paid		(1,325)		(20)	
Interest element of finance lease rentals		(79)		(103)	
Dividends paid		-		(226)	
Net cash outflow from returns on investments and servicing of finance			(1,400)		(334)
Tax received/(paid)			1		(347)
Investing activities					
Payment to acquire tangible fixed assets		(2,968)		(1,145)	
Sale of tangible fixed assets		96			
Purchase of subsidiary undertakings	17	-		(22,495)	
Net cash outflow from investing activities			(2,872)		(23,640)
Net cash outflow before financing activities			(1,707)		(20,229)
Financing activities					
Proceeds from the issue of shares		-		5,500	
New loans		-		33,400	
Repayment of loans		-		(2,216)	
Repayment of intercompany loans		-		(16,700)	
Capital element of finance lease repayments		(362)		(149)	
Net cash (outflow)/inflow from financing activities	18		(362)		19,835
Decrease in cash and cash equivalents			(2,069)		(394)

Consolidated cash flow statement (continued)

For the year ended 30 June 1995

Analysis of changes in cash and cash equivalents during the year	£'000
Balance at 30 June 1994	(394)
Decrease in cash and cash equivalents	(2,069)
Balance at 30 June 1995	<u>(2,463)</u>

	1995 £'000	1994 £'000	Change in year £'000
Analysis of balances of cash and cash equivalents as shown in the balance sheet			
Cash at bank and in hand	312	192	120
Bank loans and overdrafts	(2,775)	(586)	(2,189)
Cash and cash equivalents	<u>(2,463)</u>	<u>(394)</u>	<u>(2,069)</u>

The accompanying notes are an integral part of this cash flow statement.

Notes to financial statements

30 June 1995

1 Accounting policies

A summary of the principal group accounting policies, all of which have been applied consistently throughout the year and with the preceding period, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) 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 presented 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 £1,095,000 (1994 - £65,000) which was attributable to the shareholders of Kantone (UK) Limited.

c) 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 contract. 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.

d) 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.

e) 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).

Notes to financial statements (continued)

1 Accounting policies (continued)

f) *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 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.

g) *Tangible fixed assets*

Land and buildings are shown at original historical cost or subsequent re-valuation. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation 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

h) *Investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made 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.

i) *Leases*

The group enters into operating and finance leases as described in note 19.

Assets held under finance leases are initially reported 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, even though the payments may not be made on such a basis.

Notes to financial statements (continued)

1 Accounting policies (continued)

j) *Research and development*

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

k) *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.

l) *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 the in 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 financial statements (continued)

2 Turnover

Analysis by geographical market:

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
United Kingdom	9,571	5,792
North America	571	353
France and Germany	10,394	4,940
Other European	3,995	2,539
Rest of the world	3,477	971
Total overseas	18,437	8,803
	28,008	14,595

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

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

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
Distribution costs	328	144
Administrative expenses	2,220	1,241
	2,548	1,385

Notes to financial statements (continued)

4 (Loss)/profit on ordinary activities before taxation

a) The (loss)/profit is stated after charging/(crediting) the following:

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
Research and development	2,474	1,253
Depreciation		
- owned equipment	1,765	930
- finance leases equipment	315	167
Hire of plant and equipment		
- operating leases	627	332
Hire of other assets		
- operating leases	517	292
Settlement of legal claim	-	(55)
Directors' emoluments		
- management remuneration and pension contributions	53	5
Auditors' remuneration		
- audit services	93	105
- other services	38	16

5 Staff costs

The management remuneration, excluding pension contributions, of the directors of Kantone (UK) Limited was as follows:

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
Highest paid director	33	3
	Number	Number
All directors		
£0 - £5,000	7	6
£30,001 - £35,000	1	-

Notes to financial statements (continued)

5 Staff costs

Employment costs (including directors' emoluments)

	Year ended	6 months ended
	30 June	30 June
	1995	1994
	£'000	£'000
Wages and salaries	10,711	5,156
Social security costs	1,263	608
Other pension costs	142	76
	<u>12,116</u>	<u>5,840</u>

Pension 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 monthly paid staff 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 as at 1 January 1993. 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 1988 would increase at the rate of 3% per annum, and that share dividends increase at 5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £7,124,000 and that the actuarial value of these assets represented 123% of the benefits that had accrued to members. The surplus of £1,393,000 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 13½ years. The group and the employee contributions are 4% and 4.5% of earnings respectively.

The pension charge for the year for the scheme was £143,000 up of a regular cost of £250,000 less variations from regular cost of £107,000.

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

Notes to financial statements (continued)

5 Staff costs (continued)

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

	Year ended 30 June 1995	6 months ended 30 June 1994
Development and manufacture	280	278
Sales and service	178	182
Administration	68	56
	<u>526</u>	<u>516</u>
United Kingdom	384	366
Overseas	142	150
	<u>526</u>	<u>516</u>

6 Net interest

	Year ended 30 June 1995 £'000	6 months ended 30 June 1994 £'000
Bank interest receivable	(4)	(6)
Interest payable on finance leases	79	47
Interest payable on bank loans and overdrafts repayable within 5 years	1,260	132
	<u>1,335</u>	<u>173</u>

7 Taxation

The taxation charge comprises:

	Year ended 30 June 1995 £'000	6 months ended 30 June 1994 £'000
United Kingdom taxation:		
Corporation tax	-	14
Under provision in respect of prior year	4	-
Deferred tax	211	9
Advance corporation tax	(106)	74
	<u>109</u>	<u>97</u>
Overseas taxation	43	12
	<u>152</u>	<u>109</u>

Notes to financial statements (continued)

7 Taxation (continued)

The tax charge for Multitone Electronics Plc and its subsidiaries has been included in the consolidated tax charge for the Kantone (UK) Group.

8 Tangible fixed assets

Group	Land and buildings £'000	Equipment out on hire £'000	Plant and equipment £'000	Total £'000
a) At cost				
At beginning of year	1,156	6,056	8,519	15,731
Translation adjustment	6	73	99	178
Additions	3	1,751	1,586	3,340
Disposals	-	(759)	(621)	(1,380)
At end of year	1,165	7,121	9,583	17,869
Depreciation				
At beginning of year	347	2,722	6,298	9,367
Translation adjustment	1	41	80	122
Depreciation for the period	38	1,096	946	2,080
Disposals	-	(662)	(609)	(1,271)
At end of year	386	3,197	6,715	10,298
Net book value				
At 30 June 1995	779	3,924	2,868	7,571
At 30 June 1994	809	3,334	2,221	6,364
Leased assets included in the above:				
Net book value 30 June 1995	-	604	706	1,310
Net book value 30 June 1994	-	747	482	1,229

Notes to financial statements (continued)

8 Tangible fixed assets (continued)

b) Commitments for future capital expenditure

	Group	
	1995	1994
	£'000	£'000
Expenditure authorised at year end:		
Contracted for	324	314
Not contracted for	348	639
	<u>672</u>	<u>953</u>

9 Investment in subsidiary undertakings

	1995	1994
	£'000	£'000
Shares at cost	22,495	22,495
Movement during the year	(100)	-
At end of year	<u>22,395</u>	<u>22,495</u>

During the year a dividend of £100,000 was received from Multitone Electronics PLC, paid from pre-acquisition reserves resulting in a reduction in the cost of investment of £100,000.

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

Sales	* Multiton Elektronik GmbH (Germany)
	*** Multiton Elektronik GmbH (Austria)
	* Paging Systems Limited
Rental	* Multitone Rentals Limited
Manufacturing	** Multitone Electronics Sdn Bhd (Malaysia)
	Multitone Electronics PLC
Non-trading	* Multitone Communications Limited
	* Multitone Electronique S A (France)
	* Multitone Electronics Communication Systems Limited
	* Infopage Limited
* Owned by Multitone Electronics Plc	
** Owned by Multitone Communications Limited	
*** Owned by Multiton Elektronik GmbH	

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

Notes to financial statements (continued)

10 Stock

	Group	
	1995	1994
	£'000	£'000
Raw materials, purchased components and spares	3,232	1,956
Work in progress	712	562
Finished goods	2,548	1,765
	<u>6,492</u>	<u>4,283</u>

11 Debtors

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Trade debtors	5,456	4,174	-	-
Amounts due from parent company	1,186	440	-	-
Amounts due from subsidiary undertaking	-	-	100	-
Other debtors	1,149	1,140	-	-
Prepayments and accrued income	340	423	-	-
	<u>8,131</u>	<u>6,177</u>	<u>100</u>	<u>-</u>

	Group	
	1995	1994
	£'000	£'000
Amounts falling due after more than one year included above:		
Other debtors	118	106
Prepayments and accrued income	72	75
	<u>190</u>	<u>181</u>

Notes to financial statements (continued)

12 Creditors: Amounts falling due within one year

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank loans	16,700	16,700	16,700	16,700
Bank overdrafts	2,775	586	-	-
Trade creditors	3,449	2,383	-	-
Amounts due to parent company	1,855	295	1,455	295
Corporation tax	6	30	-	-
VAT and other sales taxes	628	348	-	-
Payroll taxes and social security	306	330	-	-
Other creditors and accruals	2,389	1,677	-	65
Obligations due under finance leases	362	280	-	-
Deferred income	1,634	1,477	-	-
	<u>30,104</u>	<u>24,106</u>	<u>18,155</u>	<u>17,060</u>

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 20 June 1996. The security for this loan is provided by a similar deposit lodged by the ultimate parent company.

13 Creditors: Amounts falling due after more than one year

	Group	
	1995 £'000	1994 £'000
Finance leases	967	984
Other creditors	-	2
Overseas pensions	175	153
	<u>1,142</u>	<u>1,139</u>

Notes to financial statements (continued)

14 Provisions for liabilities and charges

	Group	
	1995	1994
	£'000	£'000
Provisions for liabilities and charges comprise:		
Warranty provision	220	204
Deferred taxation	286	108
	<u>506</u>	<u>312</u>

a) Warranty provision

	1995	1994
	£'000	£'000
Set aside to cover costs in respect of goods supplied under warranty:		
Beginning of the year	204	-
Acquisition during year	-	189
Provided in year	127	96
Utilised	(111)	(81)
End of year	<u>220</u>	<u>204</u>

b) Deferred taxation

	1995	1994
	£'000	£'000
Deferred taxation, currently provided in full, is attributable to:		
Accelerated relief on capital allowances	602	250
Other short-term timing differences	(67)	-
Advance corporation tax recoverable	(249)	(142)
	<u>286</u>	<u>108</u>

Notes to financial statements (continued)

The movement in the year comprises:

	£000	£000
Beginning of the year	108	-
Acquisition during year	-	99
Charged/(credited) to profit and loss in respect of:		
Capital allowances	352	(15)
Other timing differences	(67)	-
Advance corporation tax	(107)	24
At end of year	<u>286</u>	<u>108</u>

15 Called-up share capital

	Authorised		Allotted and fully-paid	
	Number of shares	£	Number of shares	£
Share capital comprises:				
Ordinary shares of £1 each at incorporation	100	100	1	1
Ordinary shares of £1 each at 30 June 1995	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,500,000</u>	<u>5,500,000</u>

16 Reserves

	Group		Company
	Goodwill reserve £'000	Profit and loss account £'000	Profit and loss account £'000
At beginning of year	(14,805)	764	(65)
Translation adjustments	-	71	-
Retained (loss) for year	-	(776)	(1,095)
	<u>(14,805)</u>	<u>59</u>	<u>(1,160)</u>

The translation adjustment of £71,000 represents an unrealised gain arising on the translation of the net assets of the overseas subsidiaries into sterling at the year end.

Notes to financial statements (continued)

17 Purchase of subsidiary undertaking

	1995 £'000	1994 £'000
Tangible fixed assets	-	6,308
Stock	-	4,840
Debtors	-	4,440
Cash	-	(56)
Taxation	-	(277)
Bank loans	-	(2,160)
Trade creditors	-	(1,435)
Other creditors	-	(3,790)
Net assets/fair value	-	7,690
Goodwill	-	14,805
Purchase consideration	-	22,495

The purchase consideration was paid in cash.

18 Analysis of changes in financing during the year

	Share capital £'000	Net loans £'000	Finance leases £'000
At beginning of year	5,500	16,700	1,264
Finance leases acquired	-	-	427
Cash inflow/(outflow) from financing	-	-	(362)
Balance at end of year	5,500	16,700	1,329

Notes to financial statements (continued)

19 Commitments and other contingent liabilities

Lease commitments

At 30 June 1995 the minimum annual rental commitments under non-cancellable leases were as set out below:

	Group	
	Land and buildings £'000	Plant and equipment £'000
Operating leases which expire:		
Within one year	176	354
2-5 years	100	583
More than 5 years	277	14
	<u>553</u>	<u>951</u>

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 specified in the leases. In addition, there is a long lease expiring in 2072 at a current annual ground rental of approximately £582 (1994 - £602).

	Group £'000
Finance leases which expire:	
Within one year	559
2-5 years	407
	<u>966</u>

20 Ultimate parent 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