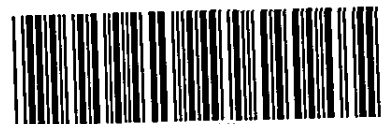


KANTONE (UK) LIMITED

Annual Report and Financial Statements

30 June 2013

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul Man Lok Kan (Chairman)
Terry J Miller
Paul M J Kirby

SECRETARY

Mr P L Lawrence FCMA CGMA

REGISTERED OFFICE

Multitone House
Shortwood Copse Lane
Kempshott
Basingstoke
RG23 7NL

BANKERS

HSBC Bank plc
8 London Street
Basingstoke
Hampshire
RG21 7NU

SOLICITORS

Olswang
Apex Plaza
Forbury Road
Reading
RG1 1AX

INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and Registered Auditor
Southampton, United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2013

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

Kantone (UK) Limited is the holding company of the Multitone Electronics Group whose principal activity is the design, manufacture and supply of integrated wireless communication systems and solutions for sale and lease. Kantone (UK) Limited does not trade as an independent entity and the results are a reflection of the Multitone Group position and the investment in that group as the holding company.

The principal activity of the group is the design, manufacture and supply of integrated wireless communication systems and solutions for sale and lease. The 2012/13 year has been a much better period of trading in line with the general economic environment found in the UK and elsewhere. It is not that there has been a particular increase in turnover but that confidence in the market in general has made it a little easier to maintain our position with the return of buyer confidence. This is testament to the quality of the group's products and staff.

There have not been any significant changes in the group's principal activity in the year under review and the directors are not aware, at the date of this report, of any likely changes in the group's activity in the forthcoming year.

The group continues to make major investments of its own cash in research and development. The directors regard such investment as necessary for the continued success in the medium to long term future of the business. New products are imminent and continue to be important to the business as it adopts and utilises new emerging technologies.

The detailed results for the year ended 30 June 2013 are set out in the consolidated profit and loss account on page 7. Turnover for the year was £13,543,000 (2012 £13,026,000) an increase of £517,000 or 4%, and the profit on ordinary activities before taxation was £917,000 (2012 £779,000). The profit for the financial year to 30 June 2013 after taxation and minority interests was £922,000 (2012 £792,000) an increase of 16.4%.

The group's key measure of effectiveness of its operations is calculating gross margin after direct costs. The group achieved a gross margin after direct costs of 27.6% (2012 23.9%).

The group's own pension fund continues to influence the balance sheet as the world markets fluctuate. This saw values of investment portfolios increase during this financial year and liabilities increased by a lower proportion because of the performance of bond interest rates so the gap between pension fund assets and liabilities decreased as a result. The group's cash levels have increased by £608,000 from £1,020,000 at the end of 2012 to £1,628,000 at the end of the current financial year, which is no surprise when the group has taken a year with a reduced level of contributions to the pension fund gap with the objective of funding new research and development, key to the group's continued success.

FUTURE PROSPECTS

The directors are satisfied that the operating performance of the group in the current economic environment is reasonable and it is anticipated that the group will be profitable in the year ahead. There are more new products being released to the market in the coming year with a premium new product called "Multitone i-message", which will broaden the business's appeal to more markets than it has been in before so that the business may grow and reduce risk. The business has also been quick to take advantage of the opportunity smartphones present with the release of smart apps to compliment the Multitone i-message product. Ekotek continues to show growth with new versions to be released in the 2013/14 financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

The group operates in a competitive market which is a continuing risk to the group and could result in losing sales to key competitors. The group manages this risk by providing value added services to its customers, maintaining strong relationships with customers and providing new and innovative solutions to customer needs.

The group's sales to its customers in Europe are in Euros, and to its customers in other countries in US Dollars, and therefore the group is exposed to movements in the Euro and US Dollar to pound exchange rate. The group also sources products in Euros and US Dollars and therefore minimises the risk of exchange rate fluctuations by the operation of both Euro and US Dollar currency bank accounts.

DIRECTORS' REPORT (continued)

The group is financed by one five year variable rate loan, and are therefore exposed to adverse movements in interest rates. This is monitored on a monthly basis and with the current stable low interest environment, expected to be as budgeted.

The other area of risk is the extent of public sector expenditure delays. The reorganisation of key areas of government expenditure continues to generate uncertainty in this area of the marketplace. The emergency services now have a clear direction but the NHS still has to firm up what it is going to do. In the meantime the group is continuing to develop an increased market share in non government areas of business that are showing an increased appetite for its products, especially the latest innovations.

Credit risk is managed by ensuring that transactions are only undertaken with businesses of good standing and have an appropriate credit rating along with references that are verified. In this company's case customers are frequently organisations that are backed by the government of the United Kingdom. Bad debts are a rare event.

GOING CONCERN

The group has net liabilities of £23,916,000 (2012 £25,801,000) however this is due to the company defined benefit pension scheme and when this is ring fenced the company has a net deficit is reduced to £15,968,000 (2012 £16,645,000).

The gap in the pension fund between its assets and liabilities is covered by UK Government rules which require the implementation of an officially approved repayment plan and a payment of a Pension Protection Levy where should the company become genuinely insolvent the Protection Fund steps in to cover the majority of the deficit. Due to both of these factors, the repayment of this liability is long term and is protected from diverting the company's assets towards covering its other liabilities. It is noticeable that credit rating agencies frequently fail to understand this distinction between a valuation of the balance with and without the pension in it and the protected status that this liability enjoys.

The detailed five year plan continues to be implemented effectively and continues to be refined and developed as the business environment changes but the main objectives remain and are still on target. This last financial year the board undertook a review of the main targets of the business to ensure that they match the expectations of the markets, shareholders and other interested parties. It confirmed that research and development remains key to the future of the business with new products and innovations being rolled out on a regular basis each year.

The company has considerable financial resources therefore the directors believe that the company is well placed to manage its business risks successfully. There is an even more positive outlook than there has been during the last year and there is a lot of interest and even orders for our new Multitone i-message product plus Ekotek but it is still the Directors intention to exercise a cautious, risk adverse approach for the foreseeable future.

The group has a positive net worth when the pension fund is ring fenced, the pension fund is long term protected, so the company is able to meet debts as they become due. The directors are very aware of the impact that the pension fund has on the appearance of the balance sheet and frequently have to explain its protected nature to third parties.

In addition the Directors are in receipt of a letter of support from the ultimate parent company, which confirms the parent company's intention to provide such support as is required by the group to enable it to meet its liabilities as they fall due for a period of not less than 12 months from the approval of the financial statements. As a result we continue to adopt the going concern basis in preparing the annual report and financial statements.

RESULTS AND DIVIDENDS

The profit for the year after taxation and minority interests was £922,000 (2012 profit of £792,000). The directors do not recommend the payment of a dividend (2012 £nil) and propose that the profit for the year is transferred to reserves.

DIRECTORS

The present membership of the Board at the year end is set out on page 1. There were no changes during the year.

DIRECTORS' REPORT (continued)

RESEARCH AND DEVELOPMENT

The group continues to invest in research and development at a level which is consistent with available resources. The total spend in the year was £784,000 (2012 £895,000) of which £657,000 (2012 £690,000) was capitalised in accordance with the group's accounting policy. The research and development expenditure is expected to remain at similar levels to the prior year. Such projects have been done out of internally generated funds.

PAYMENTS TO SUPPLIERS

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment, and also by including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier. The number of outstanding creditors days at the year end stood at 34 days (2012 33 days).

CORPORATE GOVERNANCE

The company voluntarily complies with such elements of the Financial Reporting Council's "The UK Corporate Governance Code" (issued in June 2011) as the Directors consider appropriate for a private company of its size."

The company has a written policy statement that applies the code to the group and explains in detail what systems, processes and documentation exists to ensure that the code's recommendations are applied in a consistent way.

The full board meets quarterly and the executive board monthly in the interim. The board's role is to constructively challenge and help develop proposals on strategy, tactical and operational performance of the group. They also agree operational budgets and capital expenditure whilst monitoring the reporting of the financial performance against these and satisfying themselves of the integrity of the information. They are also responsible for making sure that the financial controls are robust, defensible and are suitable for controlling risk. They are responsible through the remuneration committee for the setting of the appropriate levels of remuneration of the executive and non executive directors and have a prime role in the appointment and where necessary the removal of directors.

Some of the non executive directors have served for more than nine years and are elected annually. In all instances these directors are still seen as independent notwithstanding the existence of relationships or circumstances due to their lack of proximity and involvement in the day to day operation of the business.

Kantone (UK) Ltd does not have an internal audit function or committee as the Directors view that the size and complexity of the organisation is simple enough not to warrant the need of these operations especially when they believe there are appropriate review processes already in place.

Kantone (UK) Ltd upholds the highest standards of human rights.

Kantone (UK) Ltd always obeys the laws and requirements of the countries in which it operates and follows the UK Foreign Office advice on permitted nations in which we can trade.

Kantone (UK) Ltd also follows their advice on protecting our staff by not putting them at risk in countries that the Foreign Office has classified as unsafe for travel.

Kantone (UK) Ltd complies with all of the current statutory and regulatory requirements in relation to the environment.

Kantone (UK) Ltd does not enter into any agreement with customers, suppliers, partners, dealerships or any other organisation that requires bribes, solicitation or extortion.

Kantone (UK) Ltd will always comply with the taxation law of the country it is operating in.

IMPAIRMENT

The directors have carried out an impairment review of its assets at the end of the financial year. It has examined the carrying value of the major tangible and intangible assets and made references to open market valuations, market prices, economic indexes and professional opinion. It is the Directors view that there is no evidence that a permanent diminution in asset value has taken place and as such no adjustment has been made this time. The last

DIRECTORS' REPORT (continued)

formal valuation of the property owned by Multitone was at the 2008/9 year end and is scheduled to be completed every five years in line with UK accounting standards. An interim valuation was completed which indicated there was no material change in the property value.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditor are unaware, and
- The director has taken all steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the company's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor 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

P L Lawrence

Mr. P. L. L Lawrence FCMA CGMA
Financial Director / Company Secretary
12th December 2013

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANTONE (UK)
LIMITED
Year ended 30 June 2013**

We have audited the financial statements of Kantone (UK) Limited for the year ended 30 June 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Consolidated Shareholders' deficit and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2013 and of the profit of the Group for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Mr Tobias Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

19 December 2013

KANTONE (UK) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
TURNOVER: continuing operations	2	13,543	13,026
Cost of sales		(9,808)	(9,913)
Gross profit		3,735	3,113
Other operating expenses	3	(2,935)	(2,768)
Other operating income	4	55	233
OPERATING PROFIT continuing operations	5	855	578
Interest receivable and similar income		211	248
Interest payable and similar charges	7	(149)	(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		917	779
Tax (charge)/credit on profit on ordinary activities	8	(8)	14
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		909	793
Minority interests		13	(1)
RETAINED PROFIT FOR THE FINANCIAL YEAR	20	922	792

All of the activities of the group are classed as continuing

KANTONE (UK) LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year	20	922	792
Revaluation / (Deficit)		7	(25)
Defined pension scheme actuarial gain / (loss)		950	(3,407)
Currency translation differences on foreign currency net investments	20	4	(3)
Total recognised gains and losses relating to the year		<u>1,883</u>	<u>(2,643)</u>

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' DEFICIT
Year ended 30 June 2013

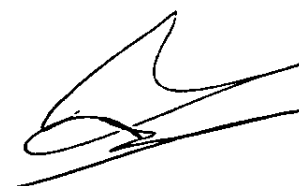
	2013 £'000	2012 £'000
Profit for the financial year	922	792
Other recognised gains and losses relating to the year	961	(3,435)
Net increase in shareholders' deficit	<u>1,883</u>	<u>(2,643)</u>
Opening shareholders' deficit	(25,801)	(23,158)
Closing shareholders' deficit	<u>(23,918)</u>	<u>(25,801)</u>

CONSOLIDATED BALANCE SHEET
30 June 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	9	2,109	2,124
Intangible assets	10	1,992	2,070
		<u>4,101</u>	<u>4,194</u>
CURRENT ASSETS			
Stocks	12	2,121	1,742
Debtors	13	5,968	6,221
Cash at bank and in hand		1,628	1,020
		<u>9,717</u>	<u>8,983</u>
CREDITORS: amounts falling due within one year	14	<u>(26,778)</u>	<u>(28,267)</u>
NET CURRENT LIABILITIES		<u>(17,061)</u>	<u>(19,284)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(12,960)</u>	<u>(15,090)</u>
CREDITORS: amounts falling due after more than one year	15	(2,908)	(1,446)
PROVISIONS FOR LIABILITIES	17	(106)	(102)
MINORITY INTEREST		<u>6</u>	<u>(7)</u>
NET LIABILITIES EXCLUDING PENSION LIABILITY		<u>(15,968)</u>	<u>(16,645)</u>
PENSION LIABILITY	18	<u>(7,948)</u>	<u>(9,156)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u><u>(23,916)</u></u>	<u><u>(25,801)</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	5,500	5,500
Revaluation reserve	20	307	308
Profit and loss account deficit	20	<u>(29,723)</u>	<u>(31,609)</u>
SHAREHOLDERS' DEFICIT		<u><u>(23,916)</u></u>	<u><u>(25,801)</u></u>

The financial statements of Kantone UK Limited, registered no 02833057, set out on pages 7 to 28, were approved and authorised for issue by the board of directors and were signed on its behalf by

Mr. T Miller
 Director
 12th December 2013

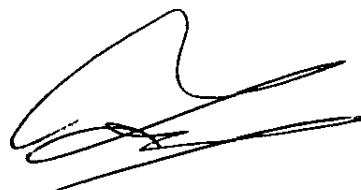


KANTONE (UK) LIMITED**COMPANY BALANCE SHEET**
30 June 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Investments	11	<u>9,465</u>	<u>9,465</u>
CURRENT ASSETS			
Debtors	13	100	100
CREDITORS' amounts falling due within one year	14	<u>(19,722)</u>	<u>(19,722)</u>
NET CURRENT LIABILITIES		<u>(19,622)</u>	<u>(19,622)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(10,157)</u>	<u>(10,157)</u>
CAPITAL AND RESERVES			
Called up share capital	19	5,500	5,500
Profit and loss account deficit	20	<u>(15,657)</u>	<u>(15,657)</u>
SHAREHOLDERS' DEFICIT		<u>(10,157)</u>	<u>(10,157)</u>

The financial statements of Kantone UK Limited, registered no 02833057, set out on pages 7 to 28, were approved and authorised for issue by the board of directors and were signed on its behalf by

Mr. T Miller
Director
12th December 2013



CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	21	1,653	802
Returns on investments and servicing of finance			
Interest received		211	248
Interest paid		(149)	(47)
Net cash outflow from returns on investments and servicing of finance		62	201
Capital expenditure and financial investment			
Development costs capitalised		(657)	(690)
Payments to acquire tangible fixed assets		(150)	(144)
Sale of tangible fixed assets		-	-
Net cash outflow from capital expenditure		(807)	(834)
Net cash inflow before financing		908	169
Financing			
Repayment of other loans		(300)	(360)
Net cash outflow from financing		(300)	(360)
Increase/(Decrease) in cash in the year	22	608	(191)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Increase/(Decrease) in cash in the year		608	(191)
Cash outflow from decrease in debt and lease financing		300	360
Change in net debt resulting from cash flows		908	169
Opening net debt	22	(18,219)	(18,388)
Closing net debt	22	(17,311)	(18,219)

NOTES TO THE ACCOUNTS**Year ended 30 June 2013****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the year and preceding year, are described below.

Going Concern

As explained in the Directors Report on page 2 the accounts have been prepared on the going concern basis.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

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.

No profit and loss account is presented for Kantone (UK) Limited, the company as provided by Section 408 of the Companies Act 2006. Included in the consolidated profit for the financial year is a result of £nil (2012: £nil) which was attributable to the shareholders of Kantone (UK) Limited (see note 20).

Foreign currencies

In the financial statements of individual companies, transactions denominated in foreign currencies are translated into sterling using the actual exchange rate ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated 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.

Turnover

Turnover principally comprises the invoiced value of goods and services supplied by group companies to third parties and in addition the group makes sales under finance lease terms and receives rental income from equipment hire. Amounts recoverable in respect of finance lease sales are included in the balance sheet on the basis of the net investment in finance leases.

Where the group is engaged in the supply of goods and services under contracts which in total may exceed one year in duration, turnover comprises the invoiced value of work carried out to the accounting date. To the extent that the billings are recorded in advance of the relevant turnover, these are included in deferred income. 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.

Rental income from equipment hire is recognised on a straight line basis over the life of the lease. Interest receivable under finance leases is recognised in the profit and loss account in proportion to the capital amount outstanding.

Research and development and intangibles

All expenditure on research and development is written off as incurred except for the cost of producing software, pre-production prototypes and test equipment for new products, including associated labour costs, which is included within intangible fixed assets. Such assets are amortised over their estimated useful life up to a maximum of five years, subject to any provision for impairment. No book value is attributable to patents.

NOTES TO THE ACCOUNTS**Year ended 30 June 2013****1 ACCOUNTING POLICIES (continued)****Tangible fixed assets**

Land and buildings are shown at original historical cost or at a subsequent revaluation. Other fixed assets are shown at cost less depreciation and provision for any impairment. Equipment on hire is leased to customers under operating lease rental contracts for terms ranging from five to ten years. The equipment is initially recorded in fixed assets at the total cost incurred in bringing the equipment to the point of rental. This includes direct manufacturing costs, installation costs plus an allocation of selling and administration costs.

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 buildings	50 years
Equipment on hire	The term of each contract
Plant and equipment	3-10 years

Investments

Fixed asset investments are shown at cost less provision for any impairment in value.

Interests in joint ventures

The Group has a contractual arrangement with other parties which represent joint ventures. This takes the form of agreements to share control over BEL-Multitone Limited (India). The Group recognises its interest in this entity's assets and liabilities using the equity method of accounting.

Leases

The group enters into operating and finance leases.

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 its useful economic life, which in practice is the lease term. 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. These are shown under Tangible Fixed Assets under "Equipment on Hire".

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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 a share of overhead expenses relating to manufacture.

Net realisable value is based on estimated selling price, less further costs to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

NOTES TO THE ACCOUNTS**Year ended 30 June 2013****1. ACCOUNTING POLICIES (continued)****Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Revaluation reserve

Land and buildings are revalued at least every five years. Surpluses arising on the revaluation of individual tangible fixed assets are credited to the revaluation reserve (see note 20) which is a non-distributable reserve. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account as a movement on reserves. On the disposal of a revalued fixed asset any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

Pension costs

In the United Kingdom the group operates a defined contribution pension scheme, the employers contributions are charged directly to the profit and loss account.

In the United Kingdom the group also operates a defined benefit pension scheme, pension costs charged to the profit and loss account relate to the current service costs of employees.

The defined benefit scheme is accounted in accordance with Financial Reporting Standard 17. The service cost of pension provision relating to the period, together with gains and losses on settlements and curtailments and the cost of any benefits relating to past service are charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the company's long term expected return on assets (based on the market value of the scheme assets at the start of the period) are included in the profit and loss account as a net amount under interest payable/receivable.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience or assumption changes.

NOTES TO THE ACCOUNTS**Year ended 30 June 2013****2 TURNOVER**

	2013 £'000	2012 £'000
Analysis of turnover by destination		
United Kingdom	8,329	7,383
North America	253	416
France and Germany	3,378	3,783
Other European countries	1,098	947
Rest of world	485	497
Total overseas	5,214	5,643
	13,543	13,026

The group's turnover arises entirely 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

Sales in respect of finance leases and rental agreements included in turnover above are as follows

	2013 £'000	2012 £'000
Finance lease sales	2,021	1,879
Income from equipment hire	954	920
	2,975	2,799

Assets acquired in the year for the purpose of sale under finance leases totalled £623,000 (2012 £551,000)

3. OTHER OPERATING EXPENSES

	2013 £'000	2012 £'000
Distribution costs	147	94
Administrative expenses	2,788	2,674
	2,935	2,768

4 OTHER OPERATING INCOME

A payment of £23,000 was received from HMRC in connection to an above the line tax credit for research and development expenses. Of the remaining amount, £25,000 relates to rental income from unused office space (2012 £31,000) and the final £7,000 (2012 nil) has arisen from income on fixed deposits in Bel Multitone

An insurance payment of £202,000 was paid to the company in 2012 in relation to the death of Neil Griffiths who was previously a member of the Board of Directors

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

5 OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2013 £'000	2012 £'000
Research and development expenditure incurred in the year	784	895
Expenditure capitalised in relation to tangible fixed assets	(657)	(690)
Research and development expenditure expensed in the year	127	205
Depreciation and amortisation		
- owned equipment – research and development	735	646
- owned equipment – other	165	153
- revaluation	7	7
Operating lease rentals		
- plant and equipment	324	365
- land and buildings	134	142
Gain on foreign exchange	(38)	(48)
Fees payable to the Company's auditors and their associates for the audit of Company's annual accounts	69	75

The auditor's remuneration for the company has been borne by Multitone Electronics Plc in both years. The auditor's remuneration in respect of Kantone (UK) Limited for the year was £5,000 (2012: £5,000). The value of non-audit fees for the year was nil (2012: nil).

6. STAFF COSTS

The group	2013 £'000	2012 £'000
Staff costs (including directors' emoluments)		
Wages and salaries	5,319	5,092
Social security costs	715	736
Other pension costs	100	432
	6,134	6,260
	No.	No.
The average number of persons employed by the group during the year was		
Development and manufacture	56	56
Sales and service	84	86
Administration	43	42
	183	184
United Kingdom	112	112
Overseas	71	72
	183	184

Kantone (UK) Limited had no employees and the directors received no remuneration from the company in either year, although they did receive remuneration from the parent company for their services. It is not practicable to allocate this remuneration between their services as directors of Kantone (UK) Limited and other group companies.

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Interest payable on bank loans and overdrafts	53	35
Interest on pension scheme liabilities (note 18)	96	12
	<u>149</u>	<u>47</u>

8. TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax (charge)/credit on ordinary activities

	2013 £'000	2012 £'000
Corporation tax		
Current year	(8)	-
Prior year tax refund	-	1
Deferred tax:		
Deferred tax timing differences, origination and reversal	-	13
Total tax credit/(charge) for the year	<u>(8)</u>	<u>14</u>

Factors affecting the tax (charge)/credit for the current year

The tax assessed for the year is lower (2012 lower) than that resulting from applying the standard rate of corporation tax in the UK of 26% (2012 28%). The differences are explained below

	2013 %	2012 %
Standard tax rate for the year as a percentage of profits	23	24
Expenses not deductible for tax purposes	(10)	(23)
Capital allowances in excess of depreciation	(5)	(10)
Utilisation of tax losses	(13)	9
Increase in unutilised tax losses	-	-
Current tax rate for the year as a percentage of profits	<u>(1)</u>	<u></u>

Factors that may affect future tax charges for the group

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £77,000 (2012 £82,000).

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses and depreciation in excess of capital allowances as it is expected that it will take some time for tax losses to be relieved and for the asset to be recovered. The amount of the asset not recognised is £1,597,000 (2012 £1,586,000). The asset would be recovered if future taxable profits were available against which the losses could be relieved.

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

8. TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES (continued)

A deferred tax asset to the sum of £1,021,000 (2012 £1,065,000) has not been recognised in respect of capital losses as in the opinion of the directors there will be no suitable taxable gains in the foreseeable future. The asset would be recovered if future gains arise on the sale of chargeable assets.

A deferred tax asset to the sum of £1,828,000 (2012 £2,197,000) has not been recognised in respect of the defined benefit pension scheme liability however £320,000 has been recognised in the balance sheet. Note 13.

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 23% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact on the company's financial statements as outlined above, subject to the impact of other developments in the company's tax position which may reduce the beneficial effect of this in the company's tax rate. As the further reductions in UK corporate tax rates have not been substantially enacted at the balance sheet date, this is considered a non-adjusting event in accordance with [FRS 21] and no adjustments have been made. The impact of any further reduction will be taken into account at subsequent reporting dates, once the change has been substantively enacted.

9. TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Equipment on hire £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 July 2012	1,738	5,839	9,956	17,533
Translation adjustment	-	14	9	23
Additions	-	11	139	150
Disposals	-	(27)	(14)	(41)
At 30 June 2013	1,738	5,837	10,090	17,665
Accumulated depreciation				
At 1 July 2012	149	5,754	9,506	15,409
Translation adjustment	-	9	9	18
Charge for the year	20	20	125	165
Disposals	-	(22)	(14)	(36)
At 30 June 2013	169	5,761	9,626	15,556
Net book value				
At 30 June 2013	1,569	76	464	2,109
At 30 June 2012	1,589	85	450	2,124

The net book value of land and buildings comprises

Group	2013 £'000	2012 £'000
Freehold land and buildings	1,481	1,488
Long leasehold land and buildings	101	101
	1,582	1,589

NOTES TO THE ACCOUNTS**Year ended 30 June 2013****9. TANGIBLE FIXED ASSETS (continued)**

Land and buildings are held at a valuation. The group's freehold properties in the United Kingdom were revalued in June 2010 on the basis of open market value for existing use, by Woodford and Company, Chartered Surveyors. In their opinion, the open market value of the properties at that time was £1,450,000 compared to a book value of £1,513,000 so no material variance was identified and it was decided no adjustment would be made to the accounts at this time. The directors are of the opinion that there has been no material change in the valuation of the properties since that date as a result of a desktop valuation done in 2013 by a RICS surveyor Woodfords & Company.

The net book value of land and buildings determined according to the historical cost convention is as follows

	Group	
	2013	2012
	£'000	£'000
Original cost	1,396	1,396
Less accumulated depreciation	(214)	(202)
Net book value	<u>1,182</u>	<u>1,194</u>

10. INTANGIBLE FIXED ASSETS

	Group
Cost or valuation	
At 1 July 2012	8,152
Additions	657
At 30 June 2013	<u>8,809</u>
Accumulated amortisation	
At 1 July 2012	6,082
Charge for the year	735
At 30 June 2013	<u>6,817</u>
Net book value	
At 30 June 2013	<u>1,992</u>
At 30 June 2012	<u>2,070</u>

Intangible assets includes all costs incurred in respect of producing software, pre-production prototypes and test equipment for new products. These costs are amortised over a period of 5 years which reflects the expected market life of the products in question.

NOTES TO THE ACCOUNTS
Year ended 30 June 2013

11. INVESTMENTS

	Company	
	2013	2012
	£'000	£'000
Cost of investment	22,395	22,395
Less Provisions for impairment	(12,930)	(12,930)
Net book value	<u>9,465</u>	<u>9,465</u>

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. An impairment review was carried out by the directors and no further impairment has been noted during the current year.

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

Design, manufacturing & sales	Multitone Electronics Plc
Sales	Multiton Elektronik GmbH (Germany)* BEL-Multitone Limited (India) ***
Rental	Multitone Rentals Limited*
Manufacturing	Multitone Electronics Sdn Bhd (Malaysia)**
Non-trading	Multitone Communications Limited * Multitone Communication Systems Limited * Infopage Limited * Paging Systems Limited * Multitone Rentals Limited *

* Owned by Multitone Electronics Plc

** Owned by Multitone Communications Limited

*** On 26 August 1997, Multitone Electronics Plc entered into a joint venture agreement with a third party to set up BEL-Multitone Limited, of which it owns 51% of the ordinary share capital. The financial year end of BEL-Multitone Ltd was 31st March 2013.

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

12. STOCKS

Group	2013	2012
	£'000	£'000
Raw materials, purchased components and spares	1,441	1,266
Work in progress	96	8
Finished goods	584	468
	<u>2,121</u>	<u>1,742</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

13 DEBTORS

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts falling due in less than one year:				
Trade debtors	1,860	1,821	-	-
Amounts owed by group undertakings	2,296	2,295	100	100
Deferred tax asset	320	320	-	-
Other debtors	142	172	-	-
Prepayments and accrued income	155	197	-	-
	<u>4,773</u>	<u>4,805</u>	<u>100</u>	<u>100</u>
Amounts falling due after more than one year				
Corporation tax recoverable	-	-	-	-
Amounts receivable under finance leases	1,195	1,416	-	-
Prepayments and accrued income	-	-	-	-
	<u>5,968</u>	<u>6,221</u>	<u>100</u>	<u>100</u>

The aggregate rentals receivable under finance leases as at 30 June 2013 was £2,021,000 (2012 £1,879,000)

Deferred taxation

The movement in deferred taxation is as follows

	Group	
	2013	2012
	£'000	£'000
At 1 July	320	320
Translation adjustment	-	-
Credit to profit and loss account	-	-
At 30 June	<u>320</u>	<u>320</u>

Analysis of deferred taxation:

	Group	
	2013	2012
	£'000	£'000
Tax Losses & Timing Differences	<u>320</u>	<u>320</u>

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realised. The ultimate realisation of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realisable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

14. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 16)	400	2,140	-	-
Trade creditors	876	999	-	-
Amounts owed to group undertakings	21,450	21,433	19,722	19,722
Corporation tax	8	-	-	-
VAT and other sales taxes	316	364	-	-
Payroll taxes and social security	142	149	-	-
Other creditors	1,087	908	-	-
Accruals and deferred income	2,499	2,274	-	-
	<u>26,778</u>	<u>28,267</u>	<u>19,722</u>	<u>19,722</u>

The borrowings of Kantone (UK) Limited and its subsidiary companies are guaranteed by Kantone Holdings Limited, an intermediate holding company

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

Group	2013	2012
	£'000	£'000
Bank Loans	1,440	-
Overseas pensions	368	386
Amounts due to group undertakings	1,100	1,100
	<u>2,908</u>	<u>1,446</u>

16. BORROWINGS

Group	2013	2012
	£'000	£'000
Bank loans and overdrafts	1,840	2,140
Amounts owed to group undertakings	17,099	17,099
	<u>18,939</u>	<u>19,239</u>
Due within one year	17,499	19,239
Between one and two years	360	-
Between two and three years	360	-
Between three and four years	360	-
Due after more than four years	360	-
	<u>18,939</u>	<u>19,239</u>

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

16 BORROWINGS (continued)

Amounts owed to group undertakings represent funding provided to the group by its intermediate parent company, Kantone Holdings Limited

17. PROVISIONS FOR LIABILITIES

Warranty provision

	Group	
	2013	2012
	£'000	£'000
Set aside to cover costs in respect of goods supplied under warranty		
At 1 July	103	129
Translation adjustment	5	(10)
Provided in year	88	92
Utilised in year	(90)	(109)
At 30 June	106	102

The warranty provision is anticipated to be utilised within one year of the balance sheet date

18. PENSION LIABILITY

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, final earnings and capital sums on death. Membership is optional for all staff paid monthly and over the age of 21. The assets of the scheme are held in a separate trustee administered fund.

The most recent actuarial valuation of the scheme was at 31 December 2012. The valuation used the projected unit method and was carried out by a professionally qualified actuary. The 31 December 2012 valuation was updated by the actuary on an approximate basis to calculate the FRS17 valuation as at 30 June 2013.

The total assets and liabilities of the scheme and the expected rates of return at 30 June were

Group	2013 Long term rate of return expected	2013 Value £'000	2012 Long term rate of return expected	2012 Value £'000	2011 Long term rate of return expected	2011 Value £'000
Equities	6.50%	21,679	5.90%	20,804	7.30%	19,666
Bonds	3.50%	2,662	2.90%	2,669	4.30%	2,195
Cash	0.50%	233	0.50%	94	0.50%	60
Total market value of assets		24,574		23,567		21,921
Present value of scheme liabilities		(32,522)		(32,723)		(28,417)
Deficit in scheme		(7,948)		(9,156)		(6,496)

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

18. PENSION LIABILITY (continued)

The figures shown above were calculated on the basis of the following assumptions

	2013	2012	2011
Discount rate	4.60%	4.30%	5.50%
Rate of increase in salaries	3.40%	2.90%	3.70%
Rate of increase in pensions in payment	0.00%	0.00%	0.00%
Pre 1997	0.00%	0.00%	0.00%
Post 1998 GMP	2.20%	1.80%	2.50%
Post 1997	3.20%	2.80%	3.40%
Inflation assumption	3.40%	2.90%	3.70%

The contribution rate for 2013 was 23.90% of pensionable earnings and the agreed contribution rates for the next 15 years is 23.90% of pensionable earnings

	2013 £'000	2012 £'000
Analysis of the movement in the scheme deficit during the year:		
Opening deficit in the scheme	(9,156)	(6,496)
Current service cost	(164)	(238)
Contributions	518	997
Other finance costs	(96)	(12)
Actuarial gain/(loss)	950	(3,407)
Closing deficit in the scheme	(7,948)	(9,156)

Defined Contribution Pension Scheme

During the year contributions of £40k were made by the Multitone Electronics into the scheme (2012 £19k). There was an unpaid contribution of £6.7k outstanding at 30th June 2013. This amount is showing in Other Creditors and was paid fully in July.

Analysis of the amount charged to the operating profit in respect of defined benefit scheme.

	2013 £'000	2012 £'000
Amounts included within operating profit		
Current service cost	(164)	(238)
Amounts included as other finance costs:		
Expected return on scheme assets	1,294	1,530
Interest discount on scheme liabilities	(1,390)	(1,542)
Net finance costs (note 6)	(96)	(12)

Amounts included within the consolidated statement of total recognised gains and losses are shown below, expressed in monetary amounts and as a percentage of

- (i) scheme assets at the balance sheet date, and
- (ii) present value of the scheme liabilities at the balance sheet date

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

18 PENSION LIABILITY (continued)

	2013 £'000	2013 %	2012 £'000	2012 %	2011 £'000	2011 %	2010 £'000	2010 %	2009 £'000	2009 %
Difference between actual and expected return on scheme assets (i)	128	1%	112	0%	1,686	8%	1,310	7%	(1,335)	(8%)
Experience losses arising on scheme liabilities (ii)						0%	0	0%	(1)	0%
Effects of changes in assumptions underlying the present value of scheme liabilities (ii)	822	3%	(3,519)	(11%)	365	1%	(3,288)	(12%)	(871)	(4%)
Total actuarial (losses)/gains recognised in the STRGL (ii)	950	4%	(3,407)	(14%)	2,051	9%	(1,978)	(10%)	(2,207)	(13%)

Impact of changes in Assumptions:

Assumption	Change in assumption	Indicative effect on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease / increase by 8%
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by 4%
Longevity	Increase by 1 year	Increase by 2%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is £4,576,000 (2012 £5,526,000)

Defined Contribution Pension Scheme

During the year contributions of £40k were made by the Multitone Electronics into the scheme (2012 £19k). There was an unpaid contribution of £6.7k outstanding at 30th June 2013. This amount is showing in Other Creditors and was paid fully in July.

The group also operates an insured scheme in an overseas company for certain senior management of that company. The liability of the group at the year end in respect of this pension scheme was £368,000 (2012 £346,000).

19. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Called up, allotted and fully paid		
5,500,000 (2012 5,500,000) ordinary shares of £1 each	5,500	5,500

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

20. STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
Group		
At 1 July 2012	308	(31,609)
Translation adjustment	4	14
Amortisation of revaluation surplus	(5)	-
Retained profit for the year	-	922
Defined pension scheme actuarial loss	-	950
	<u>307</u>	<u>(29,723)</u>
Company		
At 1 July 2012 and 30 June 2013		<u>(15,657)</u>

The revaluation reserve is not distributable. The cumulative amount of goodwill written off against reserves is £14,805,000 (2012: £14,805,000). Goodwill will be charged to the profit and loss account on disposal of the business to which it relates.

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Operating profit	855	578
Depreciation charges and amortisation	900	799
(Increase)/Decrease in stocks	(379)	336
Decrease/(Increase) in debtors	253	(271)
Decrease in creditors	(14)	(688)
Exchange differences	38	48
	<u>1,653</u>	<u>802</u>
Net cash inflow from operating activities		

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

22. ANALYSIS OF NET DEBT

	At 1 July 2012 £'000	Cash flow £'000	At 30 June 2013 £'000
Cash at bank and in hand	1,020	608	1,628
Overdrafts	-	-	-
	<u>1,020</u>	<u>608</u>	<u>1,628</u>
Debt due within one year			
Intercompany loans	(17,099)	-	(17,099)
Other loans	(2,140)	1,740	(400)
Debt due after one year			
Other loans	-	(1,440)	(1,440)
	<u>-</u>	<u>(1,440)</u>	<u>(1,440)</u>
Net debt	<u>(18,219)</u>	<u>908</u>	<u>(17,311)</u>

23. OPERATING LEASE COMMITMENTS

At 30 June 2013 the group was committed to making the following payments during the next year in respect of operating leases

Group	2013 Land and buildings £'000	2013 Plant and equipment £'000	2012 Land and buildings £'000	2012 Plant and equipment £'000
Operating leases which expire:				
Within one year	13	202	111	180
In two to five years	292	342	-	234
	<u>305</u>	<u>544</u>	<u>111</u>	<u>414</u>

The rentals 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 £1,000 (2012 £1,000)

NOTES TO THE ACCOUNTS

Year ended 30 June 2013

24 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in FRS 8 paragraph 3(c) not to present details of transactions with other group entities as it is a wholly owned subsidiary of Kantone Holdings Limited, whose accounts are publicly available

25. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a subsidiary undertaking of Kantone Holdings Limited, a company incorporated in Bermuda and whose principal place of business is in Hong Kong

The ultimate parent and controlling company is Champion Technology Holdings Limited, a company incorporated in Bermuda and whose principal place of business is in Hong Kong

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. The consolidated financial statements of Champion Technology Holdings Limited 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

The smallest group in which they are consolidated is that headed by Kantone Holdings Limited. The consolidated financial statements for Kantone Holdings Limited are available to the public and may be obtained from 9th and 10th floors, 1 Ning Foo Street, Chai Wan, Hong Kong