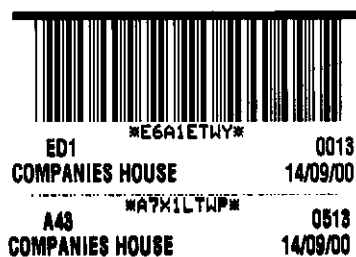


**KANTONE (UK) LIMITED**

**Report and Financial Statements**

**30 June 1999**



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

**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**SECRETARY**

Anthony Herman

**REGISTERED OFFICE**

11 Church Road  
Tunbridge Wells  
Kent TN1 1JA

**AUDITORS**

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

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 1999.

## **PRINCIPAL ACTIVITY**

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

## **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

Investment in research and development has continued with several new products due for launch. This combined with prospects of major new long-term sales contracts give rise to optimism for the new year.

The detailed results for the year are set out in the consolidated profit and loss account on page 5. Turnover for the year was £22,036,000 (1998 - £25,571,000) and the loss on ordinary activities before taxation was £3,146,000 (1998 - £1,123,000). The loss for the year after taxation was £3,138,000 (1998 - £1,125,000).

## **DIVIDENDS**

The directors do not recommend the payment of a dividend (1998:£nil).

## **DIRECTORS AND THEIR INTERESTS**

The directors stated on page 1 served throughout the year.

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

## **RESEARCH AND DEVELOPMENT**

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

## **PAYMENTS TO SUPPLIERS**

The group 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 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 59 days (1998 - 70 days).

## **DISABLED PERSONS**

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

## **EMPLOYEE INVOLVEMENT**

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

**DIRECTORS' REPORT****YEAR 2000**

Substantial efforts were made in 1999 to ensure that the commercial systems and associated software were Year 2000 compliant. Initial indication show that there has been no detrimental effect on the business due to the millennium changeover, however, the directors will continue to monitor the situation. The costs of the Year 2000 programme were not material to the group and were absorbed in the normal course of business. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

**DIRECTORS RESPONSIBILITIES**

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

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

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

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

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



Terry J Miller  
Director

06 September

2000

## **KANTONE (UK) LIMITED**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the financial statements on pages 5 to 23 which have been prepared under the accounting policies set out on pages 10 to 12.

#### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you, except that the scope of our work was limited as explained below.

#### **Basis of opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. However, the evidence available to us was limited in relation to the investment in Multitone Electronics plc. Under Financial Reporting Standard no. 11, 'Impairment of fixed assets and goodwill', an impairment review is required to be performed on the investment in Multitone Electronics plc, with a book value of £22,395,000, as there are indications that the carrying amount of the fixed asset investment may not be recoverable. These indications relate to the continuing operating losses being incurred by the subsidiary, which in respect of the year ended 30 June 1999 were £1,964,000. The directors of Kantone UK Limited have not performed such a review for impairment. In the absence of an impairment review, there were no other satisfactory procedures that we could adopt to determine the carrying value of the investment.

#### **Qualified opinion arising from limitation in audit scope**

In our opinion the financial statements give a true and fair view of the state of affairs of the group as at 30 June 1999 and of the loss of the group for the year then ended. Except for any adjustments to the financial statements that might have been found to be necessary had we been able to obtain sufficient evidence concerning the carrying value of the above mentioned subsidiary in the company's balance sheet, in our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1999 and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to investments, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

*Deloitte & Touche*

**DELOITTE & TOUCHE**

Chartered Accountants and Registered Auditors

6 September 2000

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 30 June 1999**

	Note	1999 £'000	1998 £'000
<b>CONTINUING OPERATIONS</b>			
<b>TURNOVER</b>	2	22,036	25,571
Cost of sales		(20,104)	(22,459)
Gross profit		1,932	3,112
Other operating expenses	3	(3,896)	(3,668)
<b>OPERATING LOSS</b>		(1,964)	(556)
Interest payable and similar charges	6	(1,182)	(567)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(3,146)	(1,123)
Tax on loss on ordinary activities	7	8	(2)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(3,138)	(1,125)
Equity minority interests		41	-
<b>RETAINED LOSS FOR FINANCIAL YEAR</b>		(3,097)	(1,125)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 30 June 1999**

	1999 £'000	1998 £'000
Loss for the financial year	(3,097)	(1,125)
Currency translation differences on foreign currency net investments	41	(173)
<b>Total recognised losses relating to the year</b>	<b>(3,056)</b>	<b>(1,298)</b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 30 June 1999**

	1999 £'000	1998 £'000
Loss for the financial year	(3,097)	(1,125)
Other recognised losses relating to the year	41	(173)
<b>Net reduction in shareholders' funds</b>	<b>(3,056)</b>	<b>(1,298)</b>
Opening shareholders' funds	(15,105)	(13,807)
<b>Closing shareholders' funds</b>	<b>(18,161)</b>	<b>(15,105)</b>

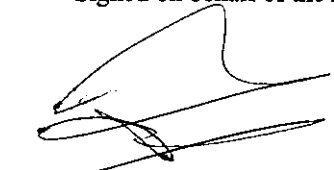


**CONSOLIDATED BALANCE SHEET**  
**30 June 1999**

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	7,543	8,218
<b>CURRENT ASSETS</b>			
Stocks	10	3,748	5,917
Debtors due in less than one year	11	5,752	6,384
Debtors due after one year	11	1,166	122
Cash at bank and in hand		736	1,132
		11,402	13,555
<b>CREDITORS: amounts falling due within one year</b>	12	(33,533)	(35,508)
<b>NET CURRENT LIABILITIES</b>		(22,131)	(21,953)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(14,588)	(13,735)
<b>CREDITORS: amounts falling due after more than one year</b>	13	(3,269)	(1,128)
<b>MINORITY INTEREST</b>		(6)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	(298)	(242)
<b>TOTAL NET LIABILITIES</b>		(18,161)	(15,105)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	5,500	5,500
Other reserves	17	-	(14,805)
Profit and loss account	17	(23,661)	(5,800)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		(18,161)	(15,105)

These financial statements were approved by the Board of Directors on 6/9 | 2000.

Signed on behalf of the Board of Directors



Terry J Miller  
Director

**BALANCE SHEET**  
**30 June 1999**

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Investment in subsidiary undertakings	9	22,395	22,395
<b>CURRENT ASSETS</b>			
Debtors	11	100	100
<b>CREDITORS: amounts falling due within one year</b>	12	(19,722)	(19,722)
<b>NET CURRENT LIABILITIES</b>		(19,622)	(19,622)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,773	2,773
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	5,500	5,500
Profit and loss account	17	(2,727)	(2,727)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		2,773	2,773

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

6/2/ 2000.

  
Terry J Miller  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 1999**

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	18	623	1,796
<b>Returns on investments and servicing of finance</b>			
Interest paid		(526)	(400)
Interest element of finance lease rentals		(656)	(167)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,182)	(567)
<b>Taxation</b>			
Tax paid		(9)	(5)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(1,740)	(2,625)
Sale of tangible fixed assets		23	14
<b>Net cash outflow from capital expenditure</b>		(1,717)	(2,611)
		(2,285)	(1,387)
<b>Financing</b>			
Other loan received		4,153	-
Capital element of finance lease repayments		(1,565)	(904)
<b>Net cash outflow from financing</b>		2,588	(904)
<b>Decrease in cash in the year</b>	19	303	(2,291)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Note	1999 £'000	1998 £'000
Increase/(decrease) in cash in the year		303	(2,291)
Intercompany loan received		(4,153)	-
Capital element of finance lease payments		1,565	904
<b>Change in net debt resulting from cash flows</b>		(2,285)	(1,387)
New finance leases		(175)	(462)
<b>Movement in net debt in the period</b>	19	(2,460)	(1,849)
Opening net debt	19	(23,760)	(21,911)
<b>Closing net debt</b>	19	(26,220)	(23,760)

**NOTES TO THE ACCOUNTS****Year ended 30 June 1999****1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention on a going concern basis, which the directors consider appropriate in the light of confirmation received from the company's parent undertaking, Kantone Holdings Limited, that it will continue to provide adequate financial support to enable the company to continue as an ongoing business.

**Basis of consolidation**

The group financial statements consolidate the financial statements of Kantone (UK) Limited and all of its subsidiaries.

No profit and loss account is prepared for Kantone (UK) Limited as provided by Section 230 of the Companies Act 1985. Included in the consolidated loss for the financial year is a loss of £nil (1998 - £nil) which was attributable to the shareholders of Kantone (UK) Limited.

**Foreign currencies**

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

**Turnover**

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

**Pension costs**

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

**Equipment on hire**

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

**NOTES TO THE ACCOUNTS****Year ended 30 June 1999****1. ACCOUNTING POLICIES (CONTINUED)****Tangible fixed assets**

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

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

**Investments**

Fixed asset investments are shown at cost less provisions for impairments in value. 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.

**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 the lease term, this being its estimated useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate.

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

**Research and development**

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

**Stocks**

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

**Goodwill**

In line with the transitional arrangement of FRS10 "Goodwill and Intangible Assets", purchased goodwill arising on previous acquisitions is no longer presented in a separate goodwill reserve, but is deducted from the profit and loss account.

The cumulative amount of goodwill effect against reserves is £14,805,000. Goodwill will be charged to the profit and loss account on disposal of the business to which it relates.

# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 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.

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.

### 2. TURNOVER

	1999 £'000	1998 £'000
Analysis by geographical market:		
United Kingdom	12,196	12,022
North America	253	422
France and Germany	5,655	8,822
Other European countries	2,436	2,196
Rest of world	1,496	2,109
Total overseas	9,840	13,549
	<u>22,036</u>	<u>25,571</u>

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

### 3. OTHER OPERATING EXPENSES

	1999 £'000	1998 £'000
Distribution costs	209	98
Administrative expenses	3,687	3,570
	<u>3,896</u>	<u>3,668</u>

# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### 4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss is stated after charging the following:

	1999 £'000	1998 £'000
Research and development expensed during year	1,301	1,265
Depreciation		
- owned equipment	2,464	1,855
- under finance leases	112	660
Operating lease rentals:		
- plant and equipment	526	601
- other	371	377
Directors' emoluments:		
- remuneration as management	7	30
Auditors' remuneration:		
- audit services – group	82	85
- other services	11	10
	<u>          </u>	<u>          </u>

Note: Audit fees have not been individually allocated to each company within the group.

### 5. STAFF COSTS

	1999 £'000	1998 £'000
Directors' remuneration:		
Fees	7	30
	<u>          </u>	<u>          </u>

	1999 £'000	1998 £'000
Staff costs including directors' remuneration:		
Wages and salaries	8,509	9,654
Social security costs	979	1,109
Other pension costs	359	260
	<u>          </u>	<u>          </u>
	9,847	11,023
	<u>          </u>	<u>          </u>

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

	No.	No.
Development and manufacture	224	318
Sales and service	127	113
Administration	59	54
	<u>          </u>	<u>          </u>
	410	485
	<u>          </u>	<u>          </u>
United Kingdom	293	369
Overseas	117	116
	<u>          </u>	<u>          </u>
	410	485
	<u>          </u>	<u>          </u>

## NOTES TO THE ACCOUNTS

### Year ended 30 June 1999

#### 5. STAFF COSTS (CONTINUED)

##### Pensions arrangements

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

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 January 1999. 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 7½% per annum, that salary increases would average 4½% per annum with an addition for promotion increases, that the guaranteed minimum pensions accruing after 5 April 1997 would increase at the rate of 3% per annum, that share dividends would increase at 4¼% per annum, and that price inflation would average 3½% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets were £11,398,000 and that the actuarial value of these assets represented 94% of the benefits that had accrued to members. The shortfall of £209,000 is cleared over the remaining service period of the current membership of 11 years.

The pension charge for the year for the scheme was £359,000 (1998 - £260,000).

The group also operates an insured scheme in an overseas company for certain senior management of that company. The liability to the group at the year end in respect of this pension scheme was £164,000 (1998 - £142,000).

#### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Interest payable on bank loans and overdrafts	526	400
Interest payable on finance leases	285	167
Interest payable on other loans	371	-
	<u>1,182</u>	<u>567</u>



# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

The taxation credit/(charge) comprises:

	1999 £'000	1998 £'000
Overseas taxation	-	(4)
Over provision relating to prior years	8	2
	<u>8</u>	<u>(2)</u>

The tax credit is disproportionate due to tax losses which have not been recognised in the period. The group has £1,594,000 of UK tax losses to carry forward which may be used to offset against future taxable profits. In addition, certain overseas subsidiaries are carrying forward tax losses which may be utilised against future taxable profits.

### 8. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Equipment on hire £'000	Plant and equipment £'000	Total £'000
<b>GROUP</b>				
<b>Cost</b>				
At 1 July 1998	814	8,593	13,115	22,522
Translation adjustment	18	5	35	58
Additions	-	707	1,208	1,915
Disposals	-	(616)	(89)	(705)
At 30 June 1999	<u>832</u>	<u>8,689</u>	<u>14,269</u>	<u>23,790</u>
<b>Depreciation</b>				
At 1 July 1998	201	4,715	9,388	14,304
Translation adjustment	4	3	32	39
Depreciation for year	33	1,385	1,158	2,576
Disposals	-	(593)	(79)	(672)
At 30 June 1999	<u>238</u>	<u>5,510</u>	<u>10,499</u>	<u>16,247</u>
<b>Net book value</b>				
At 30 June 1999	<u>594</u>	<u>3,179</u>	<u>3,770</u>	<u>7,543</u>
At 30 June 1999	<u>613</u>	<u>3,878</u>	<u>3,727</u>	<u>8,218</u>
<b>Assets held on finance leases included in the above:</b>				
Net book value at 30 June 1999	-	-	260	260
Net book value at 30 June 1998	-	1,614	359	1,973

Rentals receivable during the year in respect of equipment on hire was £3,121,000 (1998: £2,961,000).

NOTES TO THE ACCOUNTS  
Year ended 30 June 1999

## 8. TANGIBLE FIXED ASSETS (CONTINUED)

	Freehold		Leasehold		1999	1998
	Land	Buildings	Long	Short	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Land and buildings comprise:	80	595	153	4	832	814

	Group	
	1999	1998
	£'000	£'000
Commitments for future capital expenditure		
Expenditure authorised and contracted for at year end	1,140	209

## 9. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	1999	1998
	£'000	£'000
Shares at cost and net book value	22,395	22,395

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

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

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

\* Owned by Multitone Electronics Plc

\*\* Owned by Multitone Communications Limited

\*\*\* Owned by Multiton Elektronik GmbH

\*\*\*\* 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 results of BEL-Multitone Limited included in the group financial statements cover the period from commencement to 30 June 1999.

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

NOTES TO THE ACCOUNTS  
Year ended 30 June 1999

## 10. STOCKS

	Group	
	1999	1998
	£'000	£'000
Raw materials, purchased components and spares	2,033	3,234
Work in progress	701	1,005
Finished goods	1,014	1,678
	<u>3,748</u>	<u>5,917</u>

## 11. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	3,765	5,266	-	-
Amounts due from other group undertakings	954	397	100	100
Other debtors	199	330	-	-
Prepayments and accrued income	834	391	-	-
	<u>5,752</u>	<u>6,384</u>	<u>100</u>	<u>100</u>

	Group	
	1999	1998
	£'000	£'000
Amounts falling due after more than one year included above:		
Trade debtors	459	-
Other debtors	-	90
Prepayments and accrued income	707	32
	<u>1,166</u>	<u>122</u>

NOTES TO THE ACCOUNTS  
Year ended 30 June 1999

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans and overdrafts	5,540	6,239	-	-
Other loans (note 14)	1,695	-	-	-
Obligations under finance leases (note 14)	82	1,069	-	-
Trade creditors	1,272	3,115	-	-
Amounts due to other group undertakings	21,079	21,070	19,722	19,722
Corporation tax	4	4	-	-
VAT and other sales taxes	84	117	-	-
Payroll taxes and social security	216	236	-	-
Other creditors and accruals	1,638	1,706	-	-
Deferred income	1,923	1,952	-	-
	<u>33,533</u>	<u>35,508</u>	<u>19,722</u>	<u>19,722</u>

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

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

	Group	
	1999 £'000	1998 £'000
Other loans (note 14)	2,458	-
Amounts due to other group undertakings	564	500
Overseas pensions	164	142
Obligations under finance leases (note 14)	83	486
	<u>3,269</u>	<u>1,128</u>

NOTES TO THE ACCOUNTS  
Year ended 30 June 1999

## 14. BORROWINGS

	1999 £'000	1998 £'000
Bank loans and overdrafts	5,540	6,239
Other loans	4,153	-
Obligations under finance leases	165	1,555
	<u>9,858</u>	<u>7,794</u>
Due within one year	7,317	7,308
Due after more than one year	2,541	486
	<u>9,858</u>	<u>7,794</u>

## Other Loans

On 1 October 1998, the group entered into a block discounting facility. Advances under this facility are included in notes 12 and 13 as "Other Loans". This loan is secured on current and future receivables under fixed asset rental agreements. A parent company guarantee has also been given in respect of the loan.

	Group	
	1999 £'000	1998 £'000
Analysis of loan repayments		
Due within one year	1,695	-
Due in one to two years	1,737	-
Due in two to five years	690	-
Due in more than five years	31	-
	<u>4,153</u>	<u>-</u>
Obligations under finance leases	1999 £'000	1998 £'000
Minimum lease payments payable:		
Within one year	82	1,069
In one to two years	52	337
In two to five years	31	146
In more than five years	-	3
	<u>165</u>	<u>1,555</u>

# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Group	
	1999	1998
	£'000	£'000
Provisions for liabilities and charges comprise:		
Warranty provision	295	239
Deferred taxation	3	3
	<u>298</u>	<u>242</u>
<b>Warranty provision (set aside to cover costs in respect of goods supplied under warranty):</b>		
At 1 July 1998	239	185
Translation adjustment	2	(4)
Provided in year	200	137
Utilised	(146)	(79)
	<u>295</u>	<u>239</u>
At 30 June 1999		

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

#### Deferred taxation

Deferred taxation, currently provided  
in full, is attributable to:  
Accelerated relief on capital allowances

	3	3
	<u>3</u>	<u>6</u>
The movement in the year comprises:		
At 1 July 1998	3	6
Debited to reserves in respect of:		
Translation adjustment	-	(3)
	<u>3</u>	<u>3</u>
At 30 June 1999		

There is no provided or unprovided deferred tax in respect of the company.

# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
<b>Authorised:</b>		
10,000,000 ordinary shares of £1 each	10,000	10,000
<b>Allotted and fully paid:</b>		
5,500,000 ordinary shares of £1 each	5,500	5,500

### 17. RESERVES

	Group Goodwill reserve £'000	Profit and loss account £'000	Company Profit and loss Account £'000
At 1 July 1998	(14,805)	(5,800)	(2,727)
Transfer of goodwill reserve	14,805	(14,805)	-
Translation adjustment	-	41	-
Retained loss for year	-	(3,097)	-
At 30 June 1999	-	(23,661)	(2,727)

The translation adjustment of £41,000 represents an unrealised profit arising on the translation of the net assets of the overseas subsidiaries into sterling at the year end.

### 18. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £'000	1998 £'000
Operating loss	(1,964)	(556)
Depreciation charges	2,576	2,515
Decrease/(increase) in stocks	2,169	(1,369)
Increase in debtors	(412)	(967)
(Decrease)/increase in creditors	(1,833)	2,201
Loss on sale of fixed assets	10	8
Increase in provisions	56	51
Exchange differences	21	(87)
Net cash inflow from operating activities	623	1,796

# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### 19. ANALYSIS OF NET DEBT

	At 30 June 1998 £'000	Cash Flow £'000	Other non-cash changes £'000	At 1 July 1999 £'000
Cash at bank and in hand	1,132	(396)	-	736
Overdrafts	(6,239)	699	-	(5,540)
	<u>(5,107)</u>	<u>303</u>	<u>-</u>	<u>(4,804)</u>
<b>Debt due within one year</b>				
Intercompany loans	(17,098)	-	-	(17,098)
Other loans	-	(1,695)	-	(1,695)
<b>Other debt</b>				
Finance leases	(1,555)	1,565	(175)	(165)
	<u>(18,653)</u>	<u>(130)</u>	<u>(175)</u>	<u>(18,958)</u>
<b>Debt due after more than one year</b>				
Other loans	-	(2,458)	-	(2,458)
	<u>(23,760)</u>	<u>(2,285)</u>	<u>(175)</u>	<u>(26,220)</u>

### 20. OPERATING LEASE COMMITMENTS

At 30 June 1999 the Group was committed to making the following payments during the next year in respect of operating leases:

	Group 1999		Group 1998	
	Land and buildings £'000	Plant and equipment £'000	Land and buildings £'000	Plant and equipment £'000
<b>Operating leases which expire:</b>				
Within one year	60	230	16	53
In two to five years	112	148	283	383
	<u>172</u>	<u>378</u>	<u>299</u>	<u>436</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 in the leases. In addition, there is a long lease expiring in 2072 at a current annual ground rental of approximately £1,000 (1998 - £1,000).



# NOTES TO THE ACCOUNTS

## Year ended 30 June 1999

### 21. DISCLOSURE OF RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No.8 "Related Party Disclosures" transactions with other undertakings, and investee related parties of, the Kantone Holdings Limited group of companies have not been disclosed in these financial statements. Transactions during the year with other members of the Champion Technology Holdings Limited group of companies (see note 22) were as follows:

Name of related party			Amounts Receivable at 30 June 1999 £000	Amounts payable at 30 June 1999 £000
	Purchases £000	Sales £000		
Kantone Group	17	413	954	1,855
MC Holdings Limited	-	-	-	19,722
Multipage	-	90	343	-
Bel Multitone (P) Ltd	-	35	45	-
Multitone Electrônica Ltd	-	182	390	-
	<u>17</u>	<u>720</u>	<u>1,732</u>	<u>21,577</u>

### 22. ULTIMATE PARENT COMPANY

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