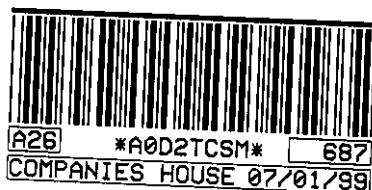


**KANTONE (UK) LIMITED**

**Report and Financial Statements**

**30 June 1998**



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

**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**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 1998.

### **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 and new products due on the market give some 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 £25,571,000 (1997 - £25,279,000) and the loss on ordinary activities before taxation was £1,123,000 (1997 - £1,228,000). The loss for the year after taxation was £1,125,000 (1997 - £1,222,000).

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (1997:£nil)

### **DIRECTORS AND THEIR INTERESTS**

The directors stated on page 1 served throughout the year with the exception of the following:

J R M Sutton (resigned 17 June 1998)

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 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**

The company has undertaken an assessment programme to identify the issues to be addressed and a series of action plans are being implemented to ensure that our business systems, services and products are millennium compliant. The issue is being given a high priority by management and we expect the majority of the compliance work on existing systems to be completed by the end of 1998. Some work on the implementations of new IT systems will extend into 1999. In parallel, work on Year 2000 issues is continuing with our customer base and supply chain. The costs of the Year 2000 programme are not expected to be material to the group and will be absorbed in the normal course of business.

### **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

18 Nov

1998



## KANTONE (UK) LIMITED

### AUDITORS' REPORT TO THE MEMBERS

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

#### Basis of opinion

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

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

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 1998 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*  
**DELOITTE & TOUCHE**

Chartered Accountants and Registered Auditors

8 December 1998

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 30 June 1998**

	Note	1998 £'000	1997 £'000
<b>CONTINUING OPERATIONS</b>			
<b>TURNOVER</b>	2	25,571	25,279
Cost of sales		(22,459)	(21,771)
Gross profit		3,112	3,508
Other operating expenses	3	(3,668)	(3,982)
<b>OPERATING LOSS</b>		(556)	(474)
Interest payable and similar charges	6	(567)	(754)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(1,123)	(1,228)
Tax on loss on ordinary activities	7	(2)	6
<b>RETAINED LOSS FOR FINANCIAL YEAR</b>		(1,125)	(1,222)


**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 30 June 1998**

	1998 £'000	1997 £'000
Loss for the financial year	(1,125)	(1,222)
Currency translation differences on foreign currency net investments	(173)	(190)
<b>Total recognised losses relating to the year</b>	<u>(1,298)</u>	<u>(1,412)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 30 June 1998**

	1998 £'000	1997 £'000
Loss for the financial year	(1,125)	(1,222)
Other recognised losses relating to the year	(173)	(190)
<b>Net reduction in shareholders' funds</b>	<u>(1,298)</u>	<u>(1,412)</u>
Opening shareholders' funds	(13,807)	(12,395)
<b>Closing shareholders' funds</b>	<u>(15,105)</u>	<u>(13,807)</u>

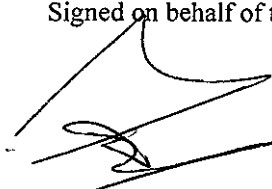


**CONSOLIDATED BALANCE SHEET**  
**30 June 1998**

	Note	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	8,218	7,754
<b>CURRENT ASSETS</b>			
Stocks	10	5,917	4,548
Debtors	11	6,506	5,539
Cash at bank and in hand		1,132	411
		<u>13,555</u>	<u>10,498</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(35,508)</u>	<u>(29,968)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(21,953)</u>	<u>(19,470)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(13,735)</u>	<u>(11,716)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(1,128)	(1,900)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>(242)</u>	<u>(191)</u>
<b>NET LIABILITIES</b>		<u><u>(15,105)</u></u>	<u><u>(13,807)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	5,500	5,500
Other reserves	16	(14,805)	(14,805)
Profit and loss account	16	<u>(5,800)</u>	<u>(4,502)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u><u>(15,105)</u></u>	<u><u>(13,807)</u></u>

These financial statements were approved by the Board of Directors on 18 November 1998.

Signed on behalf of the Board of Directors

  
Terry J Miller  
Director



**BALANCE SHEET**  
**30 June 1998**

	Note	1998 £'000	1997 £'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	15	5,500	5,500
Profit and loss account	16	(2,727)	(2,727)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		2,773	2,773

These financial statements were approved by the Board of Directors on 18 November 1998.

Signed on behalf of the Board of Directors

Terry J Miller  
Director


**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 1998**

	Note	£'000	1998 £'000	1997 £'000
Net cash inflow from operating activities	17		1,796	4,039
<b>Returns on investments and servicing of finance</b>				
Interest paid		(400)		(602)
Interest element of finance lease rentals		(167)		(144)
<b>Net cash outflow from returns on investments and servicing of finance</b>			(567)	(746)
<b>Taxation</b>				
Tax paid			(5)	(64)
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets		(2,625)		(3,074)
Sale of tangible fixed assets		14		91
<b>Net cash outflow from capital expenditure</b>			(2,611)	(2,983)
<b>Financing</b>				
Intercompany loan received		-		17,098
Repayment of bank loan		-		(16,700)
Capital element of finance lease repayments		(904)		(737)
<b>Net cash outflow from financing</b>			(904)	(339)
<b>Decrease in cash in the year</b>	18		(2,291)	(93)

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

	Note	£'000	1998 £'000	1997 £'000
Decrease in cash in the year		(2,291)		(93)
Intercompany loan received		-		(17,098)
Repayment of bank loan		-		16,700
Capital element of finance lease payments		904		737
<b>Change in net debt resulting from cash flows</b>			(1,387)	246
New finance leases			(462)	(580)
<b>Movement in net debt in the period</b>	18		(1,849)	(334)
Opening net debt	18		(21,911)	(21,577)
<b>Closing net debt</b>	18		(23,760)	(21,911)

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998****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 (1997 - loss £398,000) which was attributable to the shareholders of Kantone (UK) Limited.

**Foreign currencies**

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

**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 1998**

**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets**

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

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

**Investments**

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

**Leases**

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

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.


**NOTES TO THE ACCOUNTS**
**Year ended 30 June 1998**
**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. Advance corporation tax payable on dividends paid or provided for in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

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

**2. TURNOVER**

	1998 £'000	1997 £'000
Analysis by geographical market:		
United Kingdom	12,022	12,511
North America	422	386
France and Germany	8,822	6,113
Other European countries	2,196	3,175
Rest of world	2,109	3,094
Total overseas	13,549	12,768
	<u>25,571</u>	<u>25,279</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**

	1998 £'000	1997 £'000
Distribution costs	98	148
Administrative expenses	3,570	3,834
	<u>3,668</u>	<u>3,982</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The loss is stated after charging the following:

	1998 £'000	1997 £'000
Research and development		
Expensed during year	1,265	1,903
Depreciation		
- owned equipment	1,855	1,687
- under finance leases	660	720
Operating lease rentals:		
- plant and equipment	601	630
- other	377	411
Directors' emoluments:		
- remuneration as management	30	34
Auditors' remuneration:		
- audit services – group	85	89
- other services	10	-
	<u>          </u>	<u>          </u>

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

**5. STAFF COSTS**

	1998 £'000	1997 £'000
Directors' remuneration:		
Fees	30	34
	<u>          </u>	<u>          </u>

	1998 £'000	1997 £'000
Staff costs including directors' remuneration:		
Wages and salaries	9,654	9,827
Social security costs	1,109	1,102
Other pension costs	260	154
	<u>11,023</u>	<u>11,083</u>

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

	No.	No.
Development and manufacture	318	286
Sales and service	113	150
Administration	54	62
	<u>485</u>	<u>498</u>
United Kingdom	369	373
Overseas	116	125
	<u>485</u>	<u>498</u>



## NOTES TO THE ACCOUNTS

### Year ended 30 June 1998

#### 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 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries, pensions and share dividends. It was assumed that the investment returns would be 9.5% per annum, that salary increases would average 7.0% per annum with an addition for promotional increases, that the guaranteed minimum pensions accruing after 5 April 1997 would increase at the rate of 3% per annum, and that share dividends increase at 5% per annum.

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

The pension charge for the year for the scheme was £260,000 (1997 - £154,000).

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 £142,000 (1997 - £143,000).

#### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Interest payable on bank loans and overdrafts	400	610
Interest payable on finance leases	167	144
	<u>567</u>	<u>754</u>

#### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

The taxation (charge)/credit comprises:

	1998 £'000	1997 £'000
Overseas taxation	(4)	6
Over provision relating to prior years	2	-
	<u>(2)</u>	<u>6</u>




**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**
**8. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Land and buildings £'000</b>	<b>Equipment on hire £'000</b>	<b>Plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 July 1997	888	8,636	10,644	20,168
Translation adjustment	(74)	(24)	(135)	(233)
Additions	-	54	3,033	3,087
Disposals	-	(73)	(427)	(500)
At 30 June 1998	814	8,593	13,115	22,522
<b>Depreciation</b>				
At 1 July 1997	216	4,725	7,473	12,414
Translation adjustment	(15)	(14)	(118)	(147)
Depreciation for year	-	63	2,452	2,515
Disposals	-	(59)	(419)	(478)
At 30 June 1998	201	4,715	9,388	14,304
<b>Net book value</b>				
At 1 July 1997	613	3,878	3,727	8,218
At 30 June 1998	672	3,911	3,171	7,754
<b>Assets held on finance leases included in the above:</b>				
Net book value at 30 June 1998	-	1,614	359	1,973
Net book value at 30 June 1997	-	1,725	446	2,171

	<b>Freehold</b>		<b>Leasehold</b>		<b>1998</b>	<b>1997</b>
	<b>Land £'000</b>	<b>Buildings £'000</b>	<b>Long £'000</b>	<b>Short £'000</b>	<b>Total £'000</b>	<b>Total £'000</b>
<b>Land and buildings comprise:</b>	80	595	135	4	814	888

	<b>Group</b>	
	<b>1998 £'000</b>	<b>1997 £'000</b>
<b>Commitments for future capital expenditure</b>		
Expenditure authorised and contracted for at year end	209	82



**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**9. INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	1998 £'000	1997 £'000
<b>Shares at cost</b>	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)***
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

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

**10. STOCKS**

	Group 1998 £'000	1997 £'000
Raw materials, purchased components and spares	3,234	2,251
Work in progress	1,005	830
Finished goods	1,678	1,467
	<u>5,917</u>	<u>4,548</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**
**11. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	5,266	3,688	-	-
Amounts due from other group undertakings	397	383	100	100
Other debtors	420	1,077	-	-
Prepayments and accrued income	423	391	-	-
	<u>6,506</u>	<u>5,539</u>	<u>100</u>	<u>100</u>

	<b>Group</b>	
	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due after more than one year included above:		
Other debtors	90	92
Prepayments and accrued income	32	39
	<u>122</u>	<u>131</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	6,239	3,227	-	-
Obligations under finance leases	1,069	740	-	-
Trade creditors	3,115	2,112	-	-
Amounts due to other group undertakings	21,070	20,009	19,722	19,722
Corporation tax	4	9	-	-
VAT and other sales taxes	117	90	-	-
Payroll taxes and social security	236	236	-	-
Other creditors and accruals	1,706	1,672	-	-
Deferred income	1,952	1,873	-	-
	<u>35,508</u>	<u>29,968</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.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

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

	<b>Group</b>	
	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to other group undertakings	500	500
Overseas pensions	142	143
Obligations under finance leases	486	1,257
	<u>1,128</u>	<u>1,900</u>

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Group</b>	
	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Provisions for liabilities and charges comprise:		
Warranty provision	239	185
Deferred taxation	3	6
	<u>242</u>	<u>191</u>
<b>Warranty provision (set aside to cover costs in respect of goods supplied under warranty):</b>		
At 1 July 1997	185	279
Translation adjustment	(4)	-
Provided in year	137	222
Utilised	(79)	(316)
	<u>239</u>	<u>185</u>
At 30 June 1998		
<b>Deferred taxation</b>		
Deferred taxation, currently provided in full, is attributable to:		
Accelerated relief on capital allowances	3	6
	<u>3</u>	<u>6</u>
The movement in the year comprises:		
At 1 July 1997	6	29
Debited to reserves in respect of:		
Translation adjustment	(3)	(23)
	<u>3</u>	<u>6</u>
At 30 June 1998		


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**
**15. CALLED UP SHARE CAPITAL**

	1998 £'000	1997 £'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

**16. RESERVES**

	Group Goodwill reserve £'000	Profit and loss £'000	Company Profit and loss £'000
At 1 July 1997	(14,805)	(4,502)	(2,727)
Translation adjustment	-	(173)	-
Retained loss for year	-	(1,125)	-
At 30 June 1998	(14,805)	(5,800)	(2,727)

The translation adjustment of £173,000 represents an unrealised loss arising on the translation of the net assets of the overseas subsidiaries into sterling at the year end.

**17. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1998 £'000	1997 £'000
Operating loss	(556)	(474)
Depreciation charges	2,515	2,407
(Increase)/decrease in stocks	(1,369)	1,007
(Increase)/decrease in debtors	(967)	1,651
Increase/(decrease) in creditors	2,201	(658)
Loss on sale of fixed assets	8	10
Increase/(decrease) in provisions	51	(94)
Exchange differences	(87)	190
Net cash inflow from operating activities	1,791	4,039


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**
**18. ANALYSIS OF NET DEBT**

	At 1 July 1997 £'000	Cash Flow £'000	Other non-cash changes £'000	At 30 June 1998 £'000
Cash at bank and in hand	411	721	-	1,132
Overdrafts	(3,227)	(3,012)	-	(6,239)
	<u>(2,816)</u>	<u>(2,291)</u>	<u>-</u>	<u>(5,107)</u>
<b>Debt due within one year</b>				
Intercompany loans	(17,098)	-	-	(17,098)
<b>Other debt</b>				
Finance leases	(1,997)	904	(462)	(1,555)
	<u>(19,095)</u>	<u>904</u>	<u>(462)</u>	<u>(18,653)</u>
<b>Net debt</b>	<u>(21,911)</u>	<u>(1,387)</u>	<u>(462)</u>	<u>(23,760)</u>

**19. COMMITMENTS AND OTHER CONTINGENT LIABILITIES**

	<b>Group</b>	
	<b>Land and buildings £'000</b>	<b>Plant and equipment £'000</b>
<b>Operating leases which expire:</b>		
Within one year	16	53
In two to five years	283	383
	<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 (1997 - £869).

	<b>Group</b>	
	<b>1998 £'000</b>	<b>1997 £'000</b>
<b>Finance leases which are payable:</b>		
Within one year	1,069	740
In two to five years	483	1,249
In more than five years	3	8
	<u>1,555</u>	<u>1,997</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**
**20. 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 were as follows:

Name of related party			Amounts Receivable at 30 June 1998	Amounts payable at 30 June 1998
	Purchases £000	Sales £000	£000	£000
Kantone Group	1,036	61	397	1,847
MC Holdings Limited	-	-	-	19,722
Multipage	-	791	310	-
Bel Multitone (P) Ltd	-	81	203	-
Multitone Electrônica Ltda	1	168	191	1
	<u>1,037</u>	<u>1,101</u>	<u>1,101</u>	<u>21,570</u>

**21. 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.