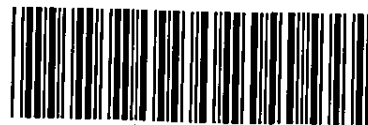


MULTITONE ELECTRONICS PLC

Annual Report and Financial Statements

30 June 2008

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul Man Lok Kan	(Chairman)
Terry J Miller	(Deputy Chairman)
Henry Fung	
Stephen Gentry	(Chief Executive Officer)
Leo Kan	
Paul M J Kirby	
Iris Koo	
Detlef Krull	
Michael J E Thornhill	
John Wong	
Ronald Wray	
Neil Griffiths	

SECRETARY

Philip Lawrence

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 AUDITORS

Deloitte & Touche LLP
Southampton, United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2008

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The principal activity of the group is the design and manufacture of specialised radio communication systems for sale and lease. There have not been any significant changes in the group's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely changes in the group's activity in the forthcoming year but are pleased that the group has been awarded the national contract for the renewal of the fire service's wireless communication systems over the next three years in the UK.

The company continues to invest in research and development which has resulted in a number of updates to the company's existing products and the release of a new product, Ekotek, which has been received well by the market. The directors regard such investment as necessary for the continued success in the medium to long term future of the business.

The detailed results for the year ended 30 June 2008 are set out in the consolidated profit and loss account on page 6. Turnover for the year was £14,096,000 (2007 £13,696,000) an increase of £400,000 or 2.9%, and the profit on ordinary activities before taxation was £564,000 (2007 £628,000). The profit for the financial year to 30 June 2008 after taxation and minority interests was £591,000 (2007 £711,000).

The group's key measure of effectiveness of its operations is calculating gross margin after direct costs. The company achieved a gross margin after direct costs of 25.4% (2007 23.6%).

The consolidated balance sheet on page 8 shows an improvement in the solvency and liquidity of the group. This has been due to the reduction in the pension scheme deficit and the restructuring of the loans from short to long term with a considerable reduction in interest rates. Until now the main group loans have been on a less than one year but renewable basis which did not reflect their underlying longer term nature.

The group's cash levels have increased by £1,376,000 from £505,000 at the end of 2007 to £1,881,000 at the end of the current financial year, and there has been an increase in the group's loans and overdrafts of £150,000 from £3,318,000 at the end of 2007 to £3,468,000 at the end of the current financial year. This reflects the continued improvements in cash collection and management of the business cycle to ensure cash inflow is maximised.

FUTURE PROSPECTS

The directors are satisfied with the continued improvements made to the operating performance of the group and it is anticipated that the group will continue to be profitable in the year ahead.

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.

The group is financed by a long term variable rate loan, and is therefore exposed to adverse movements in interest rates. This is monitored on a monthly basis, over the past five years the balance on the loan has been reduced so as to reduce the actual interest paid and the risk of adverse movements. The rates are reviewed by the directors on a regular basis and we believe they will not rise above the rate used in the group's annual budget.

DIRECTORS' REPORT (Continued)

RESULTS AND DIVIDENDS

The profit for the year after taxation and minority interests was £591,000 (2007 £711,000) The directors do not recommend the payment of a dividend (2007 £nil) and propose that the profit for the year is transferred to reserves

DIRECTORS

The present membership of the Board is set out on page 1 All directors served throughout the year

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 £517,000 (2007 £544,000) of which £342,000 (2007 £409,000) was capitalised in accordance with the group's accounting policy The research and development expenditure is expected to continue at this level for the foreseeable future

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 40 days (2007 40 days)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare such financial statements for each financial period which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985 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, and
- 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (Continued)

AUDITORS

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 auditors are unaware, and
- The director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP 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

P. L. Lawrence

Philip Lawrence
Secretary

16th October 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MULTITONE ELECTRONICS PLC

We have audited the group and individual company financial statements (the "financial statements") of Multitone Electronics Plc for the year ended 30 June 2008 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in consolidated shareholders' deficit, the consolidated and individual company balance sheets and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company and the group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 30 June 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

395 October 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 June 2008

	Note	2008 £'000	2007 £'000
TURNOVER: continuing operations	2	14,096	13,696
Cost of sales		<u>(10,520)</u>	<u>(10,461)</u>
GROSS PROFIT		3,576	3,235
Other operating expenses	3	(2,902)	(2,674)
Other operating income		<u>23</u>	<u>183</u>
OPERATING PROFIT: continuing operations	4	697	744
Interest receivable and similar income		<u>328</u>	<u>382</u>
Interest payable and similar charges	6	<u>(461)</u>	<u>(498)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		564	628
Tax credit on profit on ordinary activities	7	<u>26</u>	<u>67</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		590	695
Minority interests		<u>1</u>	<u>16</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	<u>591</u>	<u>711</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Profit for the financial year	18	591	711
Defined pension scheme actuarial gain		1,096	1,275
Currency translation differences on foreign currency net investments	18	48	(20)
Total recognised gains and losses relating to the year		1,735	1,966

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' DEFICIT
Year ended 30 June 2008

	2008 £'000	2007 £'000
Profit for the financial year	591	711
Other recognised gains and losses relating to the year	1,144	1,255
Net increase in shareholders' funds	1,735	1,966
Opening shareholders' deficit	(4,532)	(6,498)
Closing shareholders' deficit	(2,797)	(4,532)

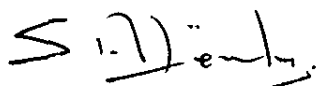
MULTITONE ELECTRONICS PLC

CONSOLIDATED BALANCE SHEET 30 June 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	8	2,693	2,856
CURRENT ASSETS			
Stocks	10	1,591	1,387
Debtors	11	8,342	8,346
Cash at bank and in hand		1,881	505
		11,814	10,238
CREDITORS: amounts falling due within one year	12	(7,064)	(9,447)
NET CURRENT ASSETS		4,750	791
TOTAL ASSETS LESS CURRENT LIABILITIES		7,443	3,647
CREDITORS amounts falling due after more than one year	13	(4,595)	(1,315)
PROVISIONS FOR LIABILITIES	15	(148)	(118)
MINORITY INTERESTS		(3)	(3)
NET LIABILITIES EXCLUDING PENSION LIABILITY		2,697	2,211
PENSION LIABILITY	16	(5,494)	(6,743)
NET LIABILITIES INCLUDING PENSION LIABILITY		(2,797)	(4,532)
CAPITAL AND RESERVES			
Called up share capital	17	3,830	3,830
Share premium account	18	1,875	1,875
Revaluation reserve	18	416	420
Profit and loss account deficit	18	(8,918)	(10,657)
SHAREHOLDERS' DEFICIT		(2,797)	(4,532)

These financial statements were approved by the Board of Directors on 21 October 2008

Signed on behalf of the Board of Directors



S Gentry
Director

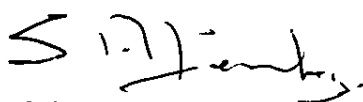
MULTITONE ELECTRONICS PLC

COMPANY BALANCE SHEET
30 June 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	8	2,479	2,660
Investments	9	150	150
		<u>2,629</u>	<u>2,810</u>
CURRENT ASSETS			
Stocks	10	919	896
Debtors	11	6,605	6,882
Cash at bank and in hand		1,413	165
		<u>8,937</u>	<u>7,943</u>
CREDITORS: amounts falling due within one year	12	<u>(4,642)</u>	<u>(7,454)</u>
NET CURRENT ASSETS		<u>4,295</u>	<u>489</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,924	3,299
CREDITORS: amounts falling due after more than one year	13	(4,260)	(1,024)
PROVISIONS FOR LIABILITIES	15	<u>(61)</u>	<u>(56)</u>
NET LIABILITIES EXCLUDING PENSION LIABILITY		2,603	2,219
PENSION LIABILITY	16	<u>(5,494)</u>	<u>(6,743)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(2,891)</u>	<u>(4,524)</u>
CAPITAL AND RESERVES			
Called up share capital	17	3,830	3,830
Share premium account	18	1,875	1,875
Revaluation reserve	18	366	372
Profit and loss account deficit	18	<u>(8,961)</u>	<u>(10,601)</u>
SHAREHOLDERS' DEFICIT		<u>(2,891)</u>	<u>(4,524)</u>

These financial statements were approved by the Board of Directors on 21 October 2008

Signed on behalf of the Board of Directors



S Gentry
Director

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

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.

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 Multitone Electronics Plc 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 Multitone Electronics Plc, the company only, as provided by Section 230 of the Companies Act 1985. Included in the consolidated profit for the financial year is a profit of £538,000 (2007: £784,000) which was attributable to the shareholders of Multitone Electronics Plc (see note 18).

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

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 tangible 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 2008

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.

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.

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 2008****1. ACCOUNTING POLICIES (continued)****Cash flow statement**

Under the provisions of Financial Reporting Standard No 1, the group has not prepared a cash flow statement because the consolidated financial statements of Kantone (UK) Limited, a company incorporated in England and Wales, include the results of the group and present a consolidated cash flow statement

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 those 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 18) 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 company, 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 2008****2 TURNOVER**

	2008 £'000	2007 £'000
Analysis of turnover by destination		
United Kingdom	8,398	7,390
North America	456	124
France and Germany	3,937	3,753
Other European countries	1,083	1,124
Rest of world	222	1,305
Total overseas	5,698	6,306
	<u>14,096</u>	<u>13,696</u>

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

	2008 £'000	2007 £'000
Finance lease sales	1,620	1,380
Income from equipment hire	582	1,345
	<u>2,202</u>	<u>2,725</u>

Assets acquired in the year for the purpose of sale under finance leases totalled £1,620,000 (2007 £1,380,000)

3. OTHER OPERATING EXPENSES

	2008 £'000	2007 £'000
Distribution costs	39	159
Administrative expenses	2,863	2,515
	<u>2,902</u>	<u>2,674</u>

NOTES TO THE ACCOUNTS**Year ended 30 June 2008****4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting)

	2008 £'000	2007 £'000
Research and development expenditure incurred in the year	517	544
Expenditure capitalised in relation to tangible fixed assets	(342)	(409)
Research and development expenditure expensed in the year	175	135
Depreciation		
- owned equipment – research and development	367	340
- owned equipment – other	238	315
Operating leases		
- plant and equipment	331	301
- land and buildings	123	114
Profit on foreign exchange	(61)	(22)
Profit on disposal of fixed assets	-	(181)
Auditors' remuneration		
- audit services – group	65	68
- other services	-	8

The auditors' remuneration borne by the company was £45,000 (2007 £43,000) Included in this amount is auditors' remuneration paid on behalf of Kantone (UK) Ltd of £5,000 (2007 £5,000) and Multitone Rentals Limited of £14,000 (2007 £13,211)

5. STAFF COSTS

The remuneration of the directors of Multitone Electronics Plc was as follows

	2008 £'000	2007 £'000
Directors' remuneration		
Emoluments	381	363
Pension contributions	39	47
	420	410
Highest paid director:		
Emoluments	98	98
Pension contributions	15	16
	113	114

NOTES TO THE ACCOUNTS
Year ended 30 June 2008

5. STAFF COSTS (continued)

There were 2 directors (2007 2) who served during the year and who are members of the defined benefit pension scheme

The group	2008 £'000	2007 £'000
Staff costs (including directors' emoluments)		
Wages and salaries	5,292	5,136
Social security costs	715	726
Other pension costs	401	310
	<u>6,408</u>	<u>6,172</u>
	No	No.
The average number of persons employed by the group during the year was		
Development and manufacture	64	74
Sales and service	99	93
Administration	32	30
	<u>195</u>	<u>197</u>
United Kingdom	118	119
Overseas	77	78
	<u>195</u>	<u>197</u>
	£'000	£'000
The company		
Staff costs (including directors' emoluments)		
Wages and salaries	3,426	3,366
Social security costs	324	344
Other pension costs	396	306
	<u>4,146</u>	<u>4,016</u>
	No.	No.
The average number of persons employed by the group during the year was		
Development and manufacture	53	53
Sales and service	52	52
Administration	14	14
	<u>119</u>	<u>119</u>
United Kingdom	118	118
Overseas	1	1
	<u>119</u>	<u>119</u>

NOTES TO THE ACCOUNTS**Year ended 30 June 2008****6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008	2007
	£'000	£'000
Interest payable on bank loans and overdrafts	261	260
Interest on pension scheme liabilities (note 16)	187	210
Interest payable on other loans	13	28
	<u>461</u>	<u>498</u>

7. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES**Analysis of tax credit on ordinary activities**

	2008	2007
	£'000	£'000
Current tax:		
Foreign tax	(128)	-
	11	(2)
Deferred tax:		
Deferred tax timing differences, origination and reversal	143	69
Total tax credit for the year	<u>26</u>	<u>67</u>

Factors affecting the tax credit for the current year

The tax assessed for the year is lower (2007 lower) than that resulting from applying the standard rate of corporation tax in the UK of 28% (2007 30%) The differences are explained below

NOTES TO THE ACCOUNTS**Year ended 30 June 2008****7. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES (continued)**

	2008	2007
	%	%
Standard tax rate for the year as a percentage of profits	30	30
Expenses not deductible for tax purposes	22	2
Capital allowances in excess of depreciation	(7)	(30)
Utilisation of tax losses	(22)	-
Movement in short term timing differences	6	(2)
Effect of changes in tax rates	(1)	-
ACT utilised	(7)	-
	<hr/>	<hr/>
Current tax rate for the year as a percentage of profits	21	-
	<hr/>	<hr/>

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 £125,000 (2007 £120,000)

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 £1,381,000 (2007 £1,712,000). The asset would be recovered if future taxable profits were available against which the losses could be relieved.

A deferred tax asset to the sum of £1,332,000 (2007 £1,332,000) 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 £1,977,000 (2007 £2,405,000) has not been recognised in respect of the defined benefit pension scheme liability.

NOTES TO THE ACCOUNTS
Year ended 30 June 2008

8. TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Equipment on hire £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 July 2007	1,668	5,859	13,757	21,284
Translation adjustment	6	42	98	147
Additions	-	39	388	427
Disposals	-	(57)	(73)	(130)
At 30 June 2008	<u>1,674</u>	<u>5,883</u>	<u>14,170</u>	<u>21,728</u>
Accumulated depreciation				
At 1 July 2007	77	5,764	12,587	18,428
Translation adjustment	3	26	93	122
Charge for the year	18	28	559	605
Disposals	-	(45)	(73)	(118)
At 30 June 2008	<u>98</u>	<u>5,771</u>	<u>13,167</u>	<u>19,035</u>
Net book value				
At 30 June 2008	<u>1,577</u>	<u>113</u>	<u>1,003</u>	<u>2,693</u>
At 30 June 2007	<u>1,591</u>	<u>424</u>	<u>841</u>	<u>2,856</u>

Plant and equipment includes capitalised labour and overhead costs with a net book value of £728,000 (2007 £774,000) incurred in respect of producing software, pre-production prototypes and test equipment for new products

Equipment on hire is sold by Multitone Electronics Plc to its subsidiary, Multitone Rentals Limited, and the estimated unrealised profit on sale is eliminated on consolidation

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

8. TANGIBLE FIXED ASSETS (continued)

Company	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
At 1 July 2007	1,570	13,070	14,640
Additions	-	376	376
At 30 June 2008	1,570	13,446	15,016
Accumulated depreciation			
At 1 July 2007	31	11,949	11,980
Charge for the year	15	542	557
At 30 June 2008	46	12,491	12,537
Net book value			
At 30 June 2008	1,524	955	2,479
At 30 June 2007	1,539	1,121	2,660

The net book value of land and buildings comprises:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Freehold land and buildings	1,524	1,539	1,524	1,539
Long leasehold land and buildings	53	52	-	-
	1,577	1,591	1,524	1,539

Land and buildings are held at a valuation. The group's freehold properties in the United Kingdom were revalued in June 2005 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 £1,570,000. This compared with an existing net book value of £1,443,000.

The directors are not aware of any material change in value of the properties and therefore the valuation has not been updated as at 30 June 2008.

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

8. TANGIBLE FIXED ASSETS (continued)

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

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Original cost	1,351	1,351	1,298	1,298
Less accumulated depreciation	(197)	(150)	(139)	(131)
Net book value	<u>1,154</u>	<u>1,201</u>	<u>1,157</u>	<u>1,167</u>

9. INVESTMENTS

	Company	
	2008	2007
	£'000	£'000
Shares in group undertakings	<u>150</u>	<u>150</u>

Shares in group undertakings consist of 100% of ordinary share capital of each subsidiary. The subsidiary companies are incorporated in the United Kingdom except where otherwise indicated.

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

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

10. STOCKS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Raw materials, purchased components and spares	882	757	418	427
Work in progress	207	145	197	133
Finished goods	502	485	304	336
	<u>1,591</u>	<u>1,387</u>	<u>919</u>	<u>896</u>

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

11 DEBTORS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts falling due in less than one year				
Trade debtors	2,771	2,748	2,046	2,060
Amounts owed by group undertakings	2,339	2,337	4,159	4,537
Amounts receivable under finance leases	162	885	-	-
Corporation tax recoverable	-	1	-	-
Deferred tax asset	290	137	160	35
Other debtors	92	84	66	79
Prepayments and accrued income	180	223	174	171
	<u>5,834</u>	<u>6,415</u>	<u>6,605</u>	<u>6,882</u>
Amounts falling due after more than one year				
Corporation tax recoverable	2	4	-	-
Amounts receivable under finance leases	2,356	1,803	-	-
Prepayments and accrued income	150	124	-	-
	<u>8,342</u>	<u>8,346</u>	<u>6,605</u>	<u>6,882</u>

The aggregate rentals receivable under finance leases in the year was £2,518,000 (2007 £2,668,000)

Deferred taxation

The movement in deferred taxation is as follows

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 July	137	66	35	-
Translation adjustment	10	2	-	-
Credit to profit and loss account	143	69	125	35
	<u>290</u>	<u>137</u>	<u>160</u>	<u>35</u>
At 30 June	<u>290</u>	<u>137</u>	<u>160</u>	<u>35</u>

Analysis of deferred taxation

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	<u>290</u>	<u>137</u>	<u>160</u>	<u>35</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2008

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 14)	240	3,080	240	3,080
Other loans (note 14)	56	169	24	51
Trade creditors	969	1,057	519	651
Amounts owed to group undertakings	1,683	1,726	1,720	1,760
Corporation Tax	128	-	3	-
VAT and other sales taxes	380	281	314	240
Payroll taxes and social security	144	131	94	98
Other creditors	943	818	883	744
Accruals and deferred income	2,521	2,185	843	830
	<u>7,064</u>	<u>9,447</u>	<u>4,642</u>	<u>7,454</u>

The bank borrowings of Multitone Electronics Plc and its subsidiary companies are guaranteed by Kantone Holdings Limited, an intermediate holding company

13 CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank Loans	3,160	-	3,160	-
Other loans (note 14)	12	69	-	24
Amounts owed to group undertakings	1,100	1,000	1,100	1,000
Overseas pensions	323	246	-	-
	<u>4,595</u>	<u>1,315</u>	<u>4,260</u>	<u>1,024</u>

14. BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	3,400	3,080	3,400	3,080
Other loans	68	238	24	75
	<u>3,468</u>	<u>3,318</u>	<u>3,424</u>	<u>3,155</u>
Due within one year	296	3,249	264	3,131
Due after more than one year	3,172	69	3,160	24
	<u>3,468</u>	<u>3,318</u>	<u>3,424</u>	<u>3,155</u>

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

14. BORROWINGS (continued)

Other loans

Other loans include a loan facility from a finance house. The loans are secured on current and future receivables under fixed asset rental agreements and finance lease sale agreements. A parent company guarantee has also been given by Kantone Holdings Limited in respect of the loans. The interest rate payable on the other loans are fixed and range from 7.5% to 8.5%.

In June 1999, the company entered into a mortgage agreement in order to purchase the freehold property from which it now operates. The mortgage is over a ten year term and interest is payable at a rate of 1.75% over bank base rate. The mortgage is secured on the property and by way of a guarantee from the parent company. The mortgage has been classified within 'other loans'.

Analysis of other loan repayments	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Due within one year	56	169	24	51
Due in one to two years	12	56	-	24
Due in two to five years	-	13	-	-
	<u>68</u>	<u>238</u>	<u>24</u>	<u>75</u>

15. PROVISIONS FOR LIABILITIES

Warranty provision

Set aside to cover costs in respect of goods supplied under warranty

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 July	118	128	56	55
Translation adjustment	11	(2)	-	-
Provided in year	189	165	107	102
Utilised in year	(170)	(173)	(102)	(101)
At 30 June	<u>148</u>	<u>118</u>	<u>61</u>	<u>56</u>

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

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

16. 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 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 £323,000 (2007 £246,000).

The most recent actuarial valuation of the scheme was at 31 December 2005. The valuation used the projected unit method and was carried out by a professionally qualified actuary. The 31 December 2005 valuation was updated by the actuary on an approximate basis to calculate the FRS17 valuation as at 30 June 2008.

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

Group and Company

	2008 Long term rate of return expected	2008 Value £'000	2007 Long term rate of return expected	2007 Value £'000	2006 Long term rate of return expected	2006 Value £'000
Equities	7.80%	15,104	7.90%	11,978	7.30%	11,820
Bonds	4.80%	1,720	4.90%	3,762	4.30%	3,814
Other	5.00%	43	5.50%	15	4.75%	382
Total market value of assets		16,867		15,755		16,016
Present value of scheme liabilities		(22,361)		(22,498)		(24,070)
Deficit in scheme		(5,494)		(6,743)		(8,054)

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

	2008	2007	2006
Discount rate	6.60%	5.90%	5.30%
Rate of increase in salaries	3.80%	3.10%	2.80%
Rate of increase in pensions in payment Pre 1997	0.00%	0.00%	0.00%
Post 1998 GMP	3.00%	3.00%	2.80%
Post 1997	3.80%	3.10%	2.80%
Inflation assumption	3.80%	3.10%	2.80%

The contribution rate for 2008 was 23.90% of pensionable earnings and the agreed contribution rates for the next 15 years is 23.90% of pensionable earnings.

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

16 PENSION liability (CONTINUED)

	2008 £'000	2007 £'000
Analysis of the movement in the scheme deficit during the year:		
Opening deficit in the scheme	(6,743)	(8,054)
Current service cost	(220)	(225)
Contributions	560	471
Other finance costs	(187)	(210)
Actuarial gains	1,096	1,275
	<u> </u>	<u> </u>
Closing deficit in the scheme	(5,494)	(6,743)

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

	2008 £'000	2007 £'000
Amounts included within operating profit:		
Current service cost	(220)	(225)
	<u> </u>	<u> </u>
Amounts included as other finance costs:		
Expected return on scheme assets	1,120	1,047
Interest discount on scheme liabilities	(1,307)	(1,257)
	<u> </u>	<u> </u>
Net finance costs	(187)	(210)

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

	2008 £'000	2008 %	2007 £'000	2007 %	2006 £'000	2006 %	2005 £'000	2005 %	2004 £'000	2004 %
Difference between actual and expected return on scheme assets (i)	266	2%	(889)	(6%)	301	2%	606	4%	960	7%
Experience losses arising on scheme liabilities (ii)	(1)	0%	(9)	0%	(210)	(1%)	(511)	(2%)	(880)	(4%)
Effects of changes in assumptions underlying the present value of scheme liabilities (ii)	831	5%	2,173	10%	1,300	6%	(2,238)	(9%)	1,336	6%
	<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>	
Total actuarial gains/(losses) recognised in the STRGL (ii)	1,096	6%	1,275	6%	1,391	6%	(2,143)	(9%)	1,416	7%
	<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>	

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

17. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
20,000,000 (2007 20,000,000) ordinary shares of 25p each	5,000	5,000
Called up, allotted and fully paid:		
15,320,428 (2007 15,320,428) ordinary shares of 25p each	3,830	3,830

18. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Group			
At 1 July 2007	1,875	420	(10,657)
Translation adjustment	-	2	46
Amortisation of revaluation surplus	-	(6)	6
Retained profit for the year	-	-	591
Defined pension scheme actuarial gain	-	-	1,096
At 30 June 2008	1,875	416	(8,918)
Company			
At 1 July 2007	1,875	372	(10,601)
Amortisation of revaluation surplus	-	(6)	6
Retained profit for the year	-	-	538
Defined pension scheme actuarial gain	-	-	1,096
At 30 June 2008	1,875	366	(8,961)

The share premium account and revaluation reserve are not distributable

The translation adjustment of £48,000 (2007 £20,000) represents unrealised profit arising on the translation of the net assets of the overseas subsidiaries into sterling at the year end

19. CAPITAL COMMITMENTS

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Contracted for but not provided	-	-	-	-

NOTES TO THE ACCOUNTS

Year ended 30 June 2008

20. OPERATING LEASE COMMITMENTS

At 30 June 2008 the group and the company were committed to making the following payments during the next year in respect of operating leases

Group	2008 Land and buildings £'000	2008 Plant and equipment £'000	2007 Land and buildings £'000	2007 Plant and equipment £'000
Operating leases which expire:				
Within one year	15	221	13	205
In two to five years	194	232	159	299
	<u>209</u>	<u>453</u>	<u>172</u>	<u>504</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 (2007 £1,000)

21. 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

22. ULTIMATE PARENT COMPANY

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 Multitone Electronics Plc 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 (UK) Limited, a company incorporated in the United Kingdom. The consolidated financial statements for Kantone (UK) Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ