

COMPANY NO: 1555423

Kane International Limited

Annual Report

Year ended 30 September 2005



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Company Information

Directors	BGJ Kane DJ Fairhurst JSHA Kane MJPC Kane RR Jessop
Secretary	TJ Rabjohn
Registered office	Kane House Swallowfield Welwyn Garden City HERTS AL7 1JG
Registered number	1555423
Auditors	RSM Robson Rhodes LLP Chartered Accountants Daedalus House Station Road CAMBRIDGE CB1 2RE
Bankers	Bank of Scotland St James' Gate 14 – 16 Cockspur Street LONDON SW1Y 5BL

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Principal activities

The principal activities of the company during the year were the manufacture and distribution of gas analysis, environmental monitoring, electrical test and electrical energy measurement equipment.

Business review and future developments

The company focused its efforts and resources on the continued development of its world-wide gas analysis and environmental monitoring business.

Results and dividends

The profit for the year after tax amounted to £342,000 (2004: £244,000). A dividend of 0.49p per share (2004: £nil) has been paid in the year. The directors do not propose a final dividend (2004: £nil).

Single European Currency

The company is able to trade using the Single European currency. The company will continue to invest in its processes in order to deal with increasingly complex transactions.

Research and development

The company has continued to invest in research and development to strengthen its product portfolio and maintain a competitive position in the marketplace in which it operates. The total expenditure on research and development in the year was £333,000 (2004: £310,000).

Directors

The present directors of the company are set out on page 1. All of the directors served throughout the year. None of the directors had any interest in the share capital of the company at 30 September. Where the directors are also directors of the parent company, any interests in the share capital of the parent company are disclosed in the financial statements of that company.

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will stay 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 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.

Report of The Directors (continued)

Auditors

RSM Robson Rhodes LLP, the company's auditors, are willing to continue in office and a resolution to reappoint them as auditors to the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 7 February 2006 and signed on its behalf by:

JSHA Kane
Director

A handwritten signature in black ink, appearing to read 'JSHA Kane', is written over the printed name and title.

Independent Auditors' Report to the Shareholders of Kane International Limited

We have audited the financial statements on pages 5 to 18.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders 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 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has 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 transactions with the company 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.

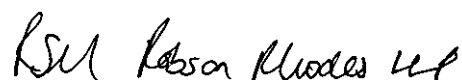
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Cambridge, England

16 February 2006

Profit and Loss Account

for the year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Turnover – continuing operations	2	5,721	5,858
Cost of sales		(3,494)	(3,716)
Gross profit		2,227	2,142
Distribution costs		(668)	(641)
Administrative expenses		(1,130)	(1,166)
Other operating income	25	15	8
Operating profit – continuing operations	3	444	343
Interest payable and similar charges	4	(88)	(71)
Profit on ordinary activities before taxation		356	272
Tax on profit on ordinary activities	7	(14)	(28)
Profit after taxation		342	244
Dividends	8	(70)	-
Retained profit for the year		272	244

There are no recognised gains or losses in the year other than those reported above.

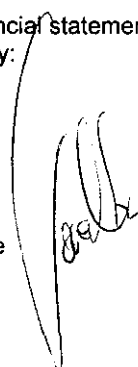
Balance Sheet

at 30 September 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	26	39
Tangible assets	10	496	478
Investments	11	-	-
		<hr/>	<hr/>
		522	517
		<hr/>	<hr/>
Current assets			
Stocks	12	850	815
Debtors	13	2,484	1,788
		<hr/>	<hr/>
		3,334	2,603
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(2,153)	(1,697)
		<hr/>	<hr/>
Net current assets		1,181	906
		<hr/>	<hr/>
Total assets less current liabilities		1,703	1,423
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	15	(75)	(67)
		<hr/>	<hr/>
		1,628	1,356
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	1,439	1,439
Share premium account	19	120	120
Profit and loss account	19	69	(203)
		<hr/>	<hr/>
Equity shareholders' funds	20	1,628	1,356
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 3 February 2006 and were signed on its behalf by:

JSHA Kane
Director



Notes to the Financial Statements

30 September 2005

1. Accounting Policies

Basis of accounting

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

The financial statements only present information about the company and do not contain information relating to its group as a whole. The company is not required to prepare group accounts because it is a subsidiary of Kane Group Limited, the parent company, which publishes consolidated financial statements. Kane Group Limited is incorporated in England and Wales.

The company is exempt from preparing a cashflow statement because it is a subsidiary of Kane Group Limited, the parent company, which publishes a consolidated cashflow statement.

Goodwill and intangible assets

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified. Goodwill on acquisitions is amortised over the following periods.

Sension Limited	Over its remaining useful economic life of 2 years
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In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive economic benefit from the goodwill acquired as part of this business.

Other intangible assets are stated at cost, less accumulated amortisation.

Investments

Investments are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. The principal annual rates used are:

Short leasehold premises	Over the length of the lease
Plant and machinery	14% straight line
Computer equipment	20% straight line
Fixtures and fittings	14% straight line
Motor vehicles	30% straight line

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Leased assets

Assets held under finance leases and hire purchase contracts are included in the balance sheet and depreciated in accordance with the normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the leases.

Notes to the Financial Statements

30 September 2005

1. Accounting Policies (continued)

Foreign currencies

Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at 30 September. Exchange differences are taken to the profit and loss account

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied.

Research and development

Development expenditure is carried forward where it can be demonstrated that the expenditure directly related to projects which are expected to generate income in future periods. Otherwise it is written off in the profit and loss account in the year in which it is incurred.

Pensions

The company operates a defined contribution pension scheme covering all eligible employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets;
- c) extra tax payable on the unremitted earnings of the overseas subsidiaries and associates where there is no commitment to remit these earnings; and
- d) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Notes to the Financial Statements

30 September 2005

2. Turnover

All of the company's turnover is supplied from the United Kingdom. The analysis of turnover by geographical market is as follows:

	2005 £'000	2004 £'000
United Kingdom	2,418	2,711
North America	1,139	1,154
Europe	1,150	1,390
Rest of World	1,014	603
	<hr/>	<hr/>
	5,721	5,858
	<hr/>	<hr/>

3. Operating Profit

Operating profit is arrived at after charging:

	2005 £'000	2004 £'000
Amortisation of goodwill	13	25
Depreciation of tangible fixed assets	169	142
(Profit) / loss on disposal of tangible fixed assets	(14)	11
Research and development	333	310
Auditors' remuneration	9	9
Operating lease rentals – land and buildings	124	123
Operating lease rentals – plant and machinery	17	14
	<hr/>	<hr/>

4. Interest Payable and Similar Charges

	2005 £'000	2004 £'000
Bank loans and overdrafts	43	43
Other interest	45	15
Finance leases and hire purchase contracts	9	7
Net exchange (gains) / losses	(9)	6
	<hr/>	<hr/>
	88	71
	<hr/>	<hr/>

Notes to the Financial Statements

30 September 2005

5. Employees

Average monthly number of employees, including directors:

	2005 No	2004 No
Office and management	13	15
Selling and distribution	15	15
Production	17	19
Technical support	14	13
	<hr/>	<hr/>
	59	62
	<hr/>	<hr/>

Staff costs, including directors:

	2005 £'000	2004 £'000
Wages and salaries	1,461	1,327
Social security costs	152	137
Pension costs – defined contribution schemes	62	58
	<hr/>	<hr/>
	1,675	1,522
	<hr/>	<hr/>

6. Directors

Emoluments of the company's directors:

	2005 £'000	2004 £'000
Emoluments	157	146
Pension costs	9	9
	<hr/>	<hr/>
	166	155
	<hr/>	<hr/>

	2005 No	2004 No
The number of directors accruing benefits under money purchase pension scheme	2	2
	<hr/>	<hr/>

Director's Loan

JSHA Kane has provided finance to the company. At 30 September 2005 £496,000 (2004: £468,000) was owing to JSHA Kane. The loan attracts interest at 1.75% above UK base rates. The total interest charged on this loan during the year was £33,000 (2004: £14,000).

Notes to the Financial Statements

30 September 2005

7. Taxation

	2005 £'000	2004 £'000
United Kingdom Corporation Tax		
Current tax on income for the year	52	42
Adjustments in respect of prior years	(42)	(49)
	<hr/>	<hr/>
Current taxation	10	(7)
Deferred taxation	4	35
	<hr/>	<hr/>
Tax on profit on ordinary activities	14	28
	<hr/>	<hr/>
Current tax reconciliation		
	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	356	272
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate 30% (2004: 30%)	107	82
Effects of:		
Expenditure that is not tax deductible	14	2
Accelerated capital allowances	(7)	(2)
Adjustments in respect of prior years	(42)	(49)
Group relief	(15)	(22)
Advance corporation tax recoverable	(5)	(5)
Small companies relief	(1)	(2)
Trading losses utilised	(41)	(11)
	<hr/>	<hr/>
Actual current taxation	10	(7)
	<hr/>	<hr/>

8. Dividends

	2005 £'000	2004 £'000
Paid		
Dividend of 0.49p (2004: £nil) per ordinary share	70	-
	<hr/>	<hr/>

Notes to the Financial Statements

30 September 2005

9. Intangible Fixed Assets

	Trademark Rights £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2004 and 30 September 2005	6	178	184
Amortisation			
At 1 October 2004	6	139	145
Charged in year	-	13	13
At 30 September 2005	6	152	158
Net book value			
At 30 September 2005	-	26	26
At 30 September 2004	-	39	39

10. Tangible Fixed Assets

	Short leasehold premises £'000	Plant, machinery, computers, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 October 2004	86	1,056	126	1,268
Additions	3	109	84	196
Disposals	-	(39)	(77)	(116)
At 30 September 2005	89	1,126	133	1,348
Depreciation				
At 1 October 2004	83	619	88	790
Charge for year	2	130	37	169
Disposals	-	(32)	(75)	(107)
At 30 September 2005	85	717	50	852
Net book value				
At 30 September 2005	4	409	83	496
At 30 September 2004	3	437	38	478

The net book value of tangible fixed assets includes £141,000 in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £33,000.

Notes to the Financial Statements

30 September 2005

11. Fixed Asset Investments

	Investment in group undertakings £'000
Cost	
At 1 October 2004 and 30 September 2005	63
Provision	
At 1 October 2004 and 30 September 2005	63
Net book value	
At 30 September 2005	-
At 30 September 2004	-

The following companies were subsidiary undertakings at the year end.

Subsidiary undertaking	Principal activity	Country of incorporation	Interest in ordinary shares and voting rights
Kane Sarl	Sale of electronic and measurement products	France	100%
Di-Log Instruments Limited	Dormant	United Kingdom	100%

12. Stocks

	2005 £'000	2004 £'000
Raw materials and consumables	203	243
Work in progress	350	307
Finished goods and goods for resale	297	265
	<u>850</u>	<u>815</u>

The replacement value of the above stocks would not be significantly different from the values stated.

Notes to the Financial Statements

30 September 2005

13. Debtors

	2005 £'000	2004 £'000
Trade debtors	1,149	774
Amounts owed by group undertakings	1,241	864
Deferred taxation (note 17)	10	14
Other debtors	17	21
Prepayments	67	115
	<hr/>	<hr/>
	2,484	1,788
	<hr/>	<hr/>

14. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Borrowings (note 16)	1,187	791
Trade creditors	396	351
Corporation tax	52	42
Other taxation and social security costs	48	40
Accruals	470	473
	<hr/>	<hr/>
	2,153	1,697
	<hr/>	<hr/>

15. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Borrowings (note 16)	75	67
	<hr/>	<hr/>

Notes to the Financial Statements

30 September 2005

16. Borrowings

	2005 £'000	2004 £'000
Due within one year		
Bank overdraft	597	244
Bank loan	39	37
Other loan	496	468
Obligations under hire purchase and finance leases	55	42
	<hr/>	<hr/>
	1,187	791
	<hr/>	<hr/>
Due after more than one year		
Bank loan	10	46
Obligations under hire purchase and finance leases	65	21
	<hr/>	<hr/>
	75	67
	<hr/>	<hr/>
Total borrowings	1,262	858
	<hr/>	<hr/>
Repayable		
Due within one year	1,187	791
Between one and two years	61	58
Between two and five years	14	9
	<hr/>	<hr/>
	1,262	858
	<hr/>	<hr/>

The bank overdraft is repayable on demand. The bank overdraft is secured by a fixed and floating charge on the assets of the company. The other loan is repayable on demand.

The obligations under finance leases are secured on the assets concerned.

Notes to the Financial Statements

30 September 2005

17. Deferred Taxation

	Deferred Taxation £'000
At 1 October 2004	(14)
Transfer to profit and loss account	4
	<hr/>
At 30 September 2005	(10)
	<hr/>

The deferred taxation asset is disclosed in note 13.

Deferred taxation comprises:

	Amounts provided		Amounts not provided	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Capital allowances	(1)	(8)	-	-
Short term timing differences	(9)	(6)	-	-
Losses and other deductions	-	-	-	(41)
	<hr/>	<hr/>	<hr/>	<hr/>
	(10)	(14)	-	(41)
	<hr/>	<hr/>	<hr/>	<hr/>

18. Called up Share Capital

	2005 £'000	2004 £'000
Authorised		
20,000,000 ordinary shares of 10p each	2,000	2,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
14,385,455 ordinary shares of 10p each	1,439	1,439
	<hr/>	<hr/>

Notes to the Financial Statements

30 September 2005

19. Reserves

	Profit and loss account £'000	Share premium account £'000
At 1 October 2004	(203)	120
Profit for the year	272	-
	<hr/>	<hr/>
At 30 September 2005	69	120
	<hr/>	<hr/>

20. Reconciliation of Movement in Shareholders' Funds

	2005 £'000	2004 £'000
Profit after taxation	342	244
Dividend	(70)	-
	<hr/>	<hr/>
Increase in shareholder funds	272	244
Opening shareholders' funds	1,356	1,112
	<hr/>	<hr/>
Closing shareholders' funds (all equity)	1,628	1,356
	<hr/>	<hr/>

21. Financial Commitments

Operating lease commitments

The payments which the company is committed to make in the next year under operating leases are as follows:

	2005 £'000	2004 £'000
Land and buildings, leases expiring:		
Within one year	38	-
Between one and five years	25	128
	<hr/>	<hr/>
Other operating leases expiring:		
Within one year	1	2
Between one and five years	12	12
	<hr/>	<hr/>

Capital commitments

The company had entered into capital expenditure commitments of £100,000 which had not been provided for in the accounts.

Notes to the Financial Statements

30 September 2005

22. Contingent Liabilities

The company has entered into a multilateral cross guarantee covering bank loans and overdraft of group undertakings.

The company has given certain guarantees in the course of trade including £6,000 at 30 September 2005 (2004: £6,000) to HM Customs and Excise in respect of the duty deferment scheme.

23. Parent Undertaking

The parent undertaking is Kane Group Limited, a company incorporated in England and Wales. The financial statements of Kane Group Limited may be obtained from Companies House in Cardiff.

24. Related Party Transactions

The company has taken advantage of the exemption covered by Financial Reporting Standard 8 and has not disclosed related party transactions with group undertakings in the year.

Related party transactions with directors are disclosed in note 6.

The company entered into transactions with Kane Computing Limited and ANH Electronics Limited during the year.

The company sold £27,000 of goods to ANH Electronics Limited. At 30 September 2005 ANH Electronics Limited owed the company £7,000 in respect of these transactions.

Kane Computing Limited rents part of one of the company's short leasehold properties. The company charged rent of £9,000 during the year. The company is also a party to a royalty agreement with Kane Company Limited, details of which are included at note 25.

Kane Computing Limited and ANH Electronics Limited are related parties by virtue of JSHA Kane's directorships in both companies.

25. Contingent Asset

On 1 October 2001 the company disposed of its computing services division.

The sale agreement included deferred consideration calculated at 5% of the gross profit of the business sold for five years, to a maximum of £75,000. In the year £15,000 (2004: £8,000) was received by the company in respect of this agreement. This amount has been disclosed as other operating income on the face of the profit and loss account. The company expects to receive at least £65,000 in total from the agreement over the five years.