

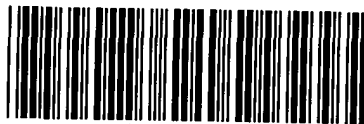
Company Registration No. 02833057

KANTONE (UK) LIMITED

Annual Report and Financial Statements

30 June 2015

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KANTONE (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

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KANTONE (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul Man Lok Kan (Chairman)
Paul M J Kirby

SECRETARY

Philip L Lawrence FCMA CGMA

REGISTERED OFFICE

Multitone House
Shortwood Copse Lane
Kempshott
Basingstoke
RG23 7NL

BANKERS

HSBC Bank plc
8 London Street
Basingstoke
Hampshire
RG21 7NU

SOLICITORS

Olswang
Apex Plaza
Forbury Road
Reading
RG1 1AX

INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

KANTONE (UK) LIMITED

STRATEGIC REPORT

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Kantone (UK) Limited and its subsidiary undertakings when viewed as a whole.

REVIEW OF THE BUSINESS

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

The 2014/15 trading year has benefited from both a stronger general economic climate specifically in the United Kingdom and the successful launch of a number of new products, targeted at the critical messaging market.

The Board of Directors has met on a quarterly basis, with a select subset of this meeting once a month in the intervening months, to discuss the performance of the business. Comparisons are made to the five year strategic plan and the one year operational budget with any variances discussed and actions decided upon to ensure that the business continues to achieve or exceed its objectives.

A DESCRIPTION OF THE GROUP'S STRATEGY AND BUSINESS MODEL

Kantone's objectives are ones of sustainable growth within its current and new markets. Kantone will continue to invest in new product and market development, capitalising on its current position as the market leader in critical messaging. Kantone will continue to adapt and adopt emerging technologies as well as developing its own innovative products, aiming to being the first to market with reliable and robust solutions.

THE DEVELOPMENT AND PERFORMANCE OF THE GROUP'S BUSINESS DURING THE YEAR

Even though the profit for the year saw a healthy positive increase, the balance sheet remains showing a negative net worth due to the continued deficit on the defined benefit pension scheme.

(a) the main trends and factors likely to affect the future development, performance and position of the company's business

The detailed results for the year ended 30 June 2015 are set out in the consolidated profit and loss account on page 9. Turnover for the year was £13,899,000 (2014: £14,801,000), a decrease of £902,000 or 6%, and the profit on ordinary activities before taxation was £1,255,000 (2014: profit of £1,092,000). The profit for the financial year to 30 June 2015 after taxation and minority interests was £1,236,000 (2014: profit of £1,074,000) an increase of 15.1%

The group's key measure of effectiveness of its operations is calculating gross margin after direct costs. The group achieved a gross margin after cost of sales of 30.7% (2014: 29.8%).

The group's own pension fund continues to influence the balance sheet as the world markets fluctuate. This saw values of investment portfolios increase during this financial year and liabilities increased by a lower proportion because of the performance of bond interest rates. The gap between pension fund assets and liabilities decreased as a result, giving a net pension liability at the year-end of £6,661,000 (2014: £7,469,000). The group's cash levels have increased by £1,087,000 from £1,777,000 at the end of financial year 2014 to £2,864,000 at the end of the current financial year.

(b) Environmental matters (including the impact of the company's business on the environment), and carbon footprint

The company and its products comply with The Producer Responsibility Obligations (Packaging Waste) Regulations, The Waste Batteries and Accumulators Regulations, Restriction of Hazardous Substances (RoHS) requirements, Waste Electrical and Electronic Equipment (WEEE), and Control of Substances Hazardous to Health (CoSHH). As an SME, Kantone is not required to report on its CO2 emissions however they are restricted to our fleet of forty vehicles and the heating and lighting of our premises.

KANTONE (UK) LIMITED

STRATEGIC REPORT (continued)

THE DEVELOPMENT AND PERFORMANCE OF THE COMPANY'S BUSINESS DURING THE YEAR (continued)

(c) Staff - the number of persons of each sex who were employees of the group.

- (i) the number of persons of each sex who were directors of the group;
Male 2
- (ii) the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)).
Male 8 Female 1

In the employment, training and advancement of disabled persons, Kantone is an equal opportunities employer that complies with the requirements of the Equality Act 2010. Disabled individuals are treated to the same rights and opportunities as able bodied ones in every aspect of the company, recognising that it also has to comply with the Health and Safety at Work Act and not put any of its employees at risk.

Involvement of employees in the affairs, policy and performance of the company:

Employees, supervisors, managers, senior managers and directors all work towards the sustainable growth of the business. Participation in the setting of annual budgets and making sure that they are achieved or exceeded is expected from all of Kantone's staff.

(d) social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies

- (i) Kantone (UK) Limited upholds the highest standards of human rights.
- (ii) Kantone (UK) Limited always obeys the laws and requirements of the countries in which it operates and follows the UK Foreign Office advice on permitted nations in which we can trade.
- (iii) Kantone (UK) Limited also follows their advice on protecting our staff by not putting them at risk in countries that the Foreign Office has classified as unsafe for travel.
- (iv) Kantone (UK) Limited complies with all of the current statutory and regulatory requirements in relation to the environment.
- (v) Kantone (UK) Limited does not enter into any agreement with customers, suppliers, partners, dealerships or any other organisation that requires bribes, solicitation or extortion.
- (vi) Kantone (UK) Limited will always comply with the taxation law of the country it is operating in.

THE POSITION OF THE GROUP AT THE YEAR END

The group has net liabilities of £22,058,000 (2014: £23,213,000), however excluding the group defined benefit pension scheme, the group has net liabilities of £15,397,000 (2014: £15,744,000).

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

KANTONE (UK) LIMITED

STRATEGIC REPORT (continued)

THE POSITION OF THE COMPANY AT THE YEAR END (continued)

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

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

The Directors are in receipt of a letter of support from Kantone Holdings Ltd, an intermediate holding company, which confirms that it will provide such support as is required by the group to enable it to meet its liabilities as they fall due for a period of not less than 12 months from the approval of the financial statements. As a result we continue to adopt the going concern basis in preparing the annual report and financial statements.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

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

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

Many of Kantone's customers are within the NHS/Emergency services and accordingly are a very low credit risk.

KANTONE (UK) LIMITED

STRATEGIC REPORT (continued)

CORPORATE GOVERNANCE

The company voluntarily complies with such elements of the Financial Reporting Council's "The UK Corporate Governance Code" (issued in September 2014) as the Directors consider it appropriate for a private company of its size.

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

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

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

There is no internal audit function or audit committee given that the limited complexity of operations the directors believe appropriate review procedures are already in place.

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

P. L. Lawrence

Mr. P. L. Lawrence FCMA CGMA

Company Secretary

9 December 2015

KANTONE (UK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2015.

The directors have included in the strategic report such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the directors' report as the directors consider are of strategic importance to the company. The matters which have been included in the strategic report are:

- Financial risk management objectives and policies
- Future developments
- Research and development

GOING CONCERN

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

DIVIDENDS

The directors do not recommend a dividend to be paid to ordinary shareholders on the register.

CHARITABLE AND POLITICAL DONATIONS

The board agreed a donation of £5,000 (2014: £nil) to The Conservative Party.

DIRECTORS

The present membership of the Board at the year end is set out on page one.

DIRECTORS' REMUNERATION

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

AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

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

P. L. Lawrence

Mr. P. L. Lawrence FCMA CGMA

Company Secretary

9 December 2015

KANTONE (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANTONE (UK) LIMITED

We have audited the financial statements of Kantone (UK) Limited for the year ended 30 June 2015 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 Parent Company Balance Sheets, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs and the Parent Company's affairs as at 30 June 2015 and of the profit of the Group for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Julian Rae (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
10 December 2015

KANTONE (UK) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****Year ended 30 June 2015**

	Note	2015 £'000	2014 £'000
TURNOVER	2	13,899	14,801
Cost of sales		(9,638)	(10,394)
Gross profit		4,261	4,407
Other operating expenses	3	(3,266)	(3,426)
Other operating income	4	145	105
OPERATING PROFIT	5	1,140	1,086
Interest receivable and similar income		172	190
Interest payable and similar charges	7	(57)	(184)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,255	1,092
Tax charge on profit on ordinary activities	8	(19)	(18)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,236	1,074
Minority interests		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	20	1,236	1,074

All of the activities of the group are classed as continuing.

KANTONE (UK) LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 30 June 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year	20	1,236	1,074
Revaluation deficit		(10)	(61)
Defined pension scheme actuarial loss	18	(52)	(264)
Currency translation differences on foreign currency net investments	20	(19)	(46)
Total recognised gains and losses relating to the year		<u>1,155</u>	<u>703</u>

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' DEFICIT Year ended 30 June 2015

	2015 £'000	2014 £'000
Profit for the financial year	1,236	1,074
Other recognised gains and losses relating to the year	(81)	(371)
Net decrease in shareholders' deficit	<u>1,155</u>	<u>703</u>
Opening shareholders' deficit	(23,213)	(23,916)
Closing shareholders' deficit	<u>(22,058)</u>	<u>(23,213)</u>

KANTONE (UK) LIMITED

CONSOLIDATED BALANCE SHEET 30 June 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Tangible assets	9	1,954	1,964
Intangible assets	10	1,632	1,763
		<u>3,586</u>	<u>3,727</u>
CURRENT ASSETS			
Stocks	12	1,754	1,932
Debtors	13	5,507	6,308
Cash at bank and in hand		2,864	1,777
		<u>10,125</u>	<u>10,017</u>
CREDITORS: amounts falling due within one year	14	<u>(26,887)</u>	<u>(26,870)</u>
NET CURRENT LIABILITIES		<u>(16,762)</u>	<u>(16,853)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(13,176)</u>	<u>(13,126)</u>
CREDITORS: amounts falling due after more than one year	15	(2,138)	(2,527)
PROVISIONS FOR LIABILITIES	17	(89)	(97)
MINORITY INTEREST		<u>6</u>	<u>6</u>
NET LIABILITIES EXCLUDING PENSION LIABILITY		<u>(15,398)</u>	<u>(15,744)</u>
PENSION LIABILITY	18	(6,661)	(7,469)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(22,058)</u>	<u>(23,213)</u>
CAPITAL AND RESERVES			
Called up share capital	19	5,500	5,500
Revaluation reserve	20	212	231
Profit and loss account deficit	20	(27,770)	(28,944)
SHAREHOLDERS' DEFICIT		<u>(22,058)</u>	<u>(23,213)</u>

The financial statements of Kantone UK Limited, registered no 02833057, set out on pages 9 to 28, were approved and authorised for issue by the board of directors and were signed on its behalf by:

Mr. Paul Kirby

Director

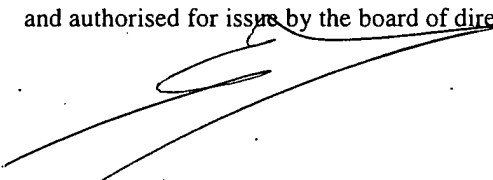
9 December 2015

KANTONE (UK) LIMITED

COMPANY BALANCE SHEET 30 June 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Investments	11	9,465	9,465
CURRENT ASSETS			
Debtors	13	100	100
CREDITORS: amounts falling due within one year	14	(19,722)	(19,722)
NET CURRENT LIABILITIES		(19,622)	(19,622)
TOTAL ASSETS LESS CURRENT LIABILITIES		(10,157)	(10,157)
CAPITAL AND RESERVES			
Called up share capital	19	5,500	5,500
Profit and loss account deficit	20	(15,657)	(15,657)
SHAREHOLDERS' DEFICIT		(10,157)	(10,157)

The financial statements of Kantone UK Limited, registered no 02833057, set out on pages 9 to 28, were approved and authorised for issue by the board of directors and were signed on its behalf by:


Mr. Paul Kirby

Director

9 December 2015

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

1. ACCOUNTING POLICIES

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

Going Concern

The accounts have been prepared on the going concern basis. In making this assessment the directors have considered the forecast cash flows and the liabilities of the company for the foreseeable future and the date at which they fall due.

The directors are in receipt of a letter of support from Kantone Holdings Ltd, an intermediate holding company, which confirms that it will provide such support as is required by the group to enable it to meet its liabilities as they fall due for a period of not less than 12 months from the approval of the financial statements. As a result we continue to adopt the going concern basis in preparing the annual report and financial statements.

Accounting convention

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

Basis of consolidation

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

No profit and loss account is presented for Kantone (UK) Limited, the company as provided by Section 408 of the Companies Act 2006. Included in the consolidated profit for the financial year is a result of £nil (2014: £nil) which was attributable to the shareholders of Kantone (UK) Limited (see note 20).

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 Holdings Limited, a company incorporated in The Cayman Islands, include the results of the group and present a consolidated cash flow statement.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

Research and development and intangibles

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

Tangible fixed assets

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

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

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

Investments

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

Interests in joint ventures

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

Leases

The group enters into operating and finance leases.

Assets held under finance leases are initially recorded at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over its useful economic life, which in practice is the lease term. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate. These are shown under Tangible Fixed Assets under "Equipment on Hire".

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

Stocks

Stocks, including work in progress, are stated 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 FINANCIAL STATEMENTS
Year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

Taxation

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

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

Revaluation reserve

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

Pension costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

2. TURNOVER

	2015 £'000	2014 £'000
Analysis of turnover by destination:		
United Kingdom	7,567	9,560
North America	428	305
France and Germany	3,774	3,382
Other European countries	1,361	700
Rest of world	769	854
Total overseas	6,332	5,241
	<u>13,899</u>	<u>14,801</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:

	2015 £'000	2014 £'000
Finance lease sales	2,154	2,134
Income from equipment hire	999	998
	<u>3,153</u>	<u>3,132</u>

Assets acquired in the year for the purpose of sale under finance leases totalled £473,000 (2014: £566,000).

3. OTHER OPERATING EXPENSES

	2015 £'000	2014 £'000
Distribution costs	10	100
Administrative expenses	3,256	3,326
	<u>3,266</u>	<u>3,426</u>

4. OTHER OPERATING INCOME

A payment of £109,000 (2014: £81,000) was received from HMRC in connection to an above the line tax credit for research and development expenses. Of the remaining amount in 2015, £24,000 relates to rental income from unused office space (2014: £24,000).

KANTONE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2015 £'000	2014 £'000
Research and development expenditure incurred in the year	775	706
Expenditure capitalised in relation to intangible fixed assets	(617)	(572)
Research and development expenditure expensed in the year	158	134
Depreciation and amortisation		
- owned equipment - research and development	748	801
- owned equipment - other	172	163
- revaluation	10	6
Operating lease rentals:		
- plant and equipment	291	318
- land and buildings	122	138
(Loss)/gain on foreign exchange	297	(17)
Loss on revaluation of fixed assets	-	10
Fees payable to the Company's auditors and their associates for the audit of Company's annual accounts	69	69

The auditor's remuneration for the company has been borne by Multitone Electronics Plc in both years. The auditor's remuneration in respect of Kantone (UK) Limited for the year was £5,000 (2014: £5,000). The value of non-audit fees for the year was nil (2014: nil).

6. STAFF COSTS

The group	2015 £'000	2014 £'000
Staff costs (including directors' emoluments):		
Wages and salaries	5,482	5,496
Social security costs	711	728
Other pension costs	363	410
	6,556	6,634
	No.	No.
The average number of persons employed by the group during the year was:		
Development and manufacture	50	52
Sales and service	78	80
Administration	50	44
	178	176
United Kingdom	107	105
Overseas	71	71
	178	176

The company

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Interest payable on bank loans and overdrafts	33	62
Interest on pension scheme liabilities (note 18)	24	122
	<u>57</u>	<u>184</u>

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	2015 £'000	2014 £'000
Corporation tax		
Current year	(22)	(18)
Prior year tax adjustment	3	-
Deferred tax:		
Deferred tax timing differences, origination and reversal	-	-
Total tax charge for the year	<u>(19)</u>	<u>(18)</u>

Factors affecting the tax charge for the current year

The tax assessed for the year is lower (2014: lower) than that resulting from applying the standard rate of corporation tax in the UK of 20% (2014: 22%). The differences are explained below:

	2015 %	2014 %
Standard tax rate for the year as a percentage of profits	20	22
Expenses not deductible for tax purposes	(9)	(8)
Capital allowances in excess of depreciation	(9)	(8)
Adjustment to R&D Tax Credit	2	2
Utilisation of tax losses	(3)	(6)
Current tax rate for the year as a percentage of profits	<u>2</u>	<u>2</u>

Factors that may affect future tax charges for the group

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £55,000 (2014: £55,000).

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 £1,157,000 (2014: £1,144,000). The asset would be recovered if future taxable profits were available against which the losses could be relieved.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

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

A deferred tax asset to the sum of £877,000 (2014: £888,000) 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 £1,332,000 (2014: £1,494,000) has not been recognised in respect of the defined benefit pension scheme liability however £320,000 has been recognised in the balance sheet (Note 13).

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rates substantively enacted in July 2013 standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were enacted in the Finance Act 2015 on 18 November 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates.

The impact of the post balance sheet date change in tax rate is estimated as giving rise to a tax charge of £5,000, which will be recognised in the accounts for 2016.

9. TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Equipment on hire £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 July 2014	1,513	5,834	10,110	17,457
Translation adjustment	-	(34)	(77)	(111)
Disposals	-	(5)	(118)	(123)
Additions	-	5	184	189
At 30 June 2015	1,513	5,800	10,099	17,412
Accumulated depreciation				
At 1 July 2014	22	5,776	9,695	15,493
Translation adjustment	-	(25)	(69)	(94)
Disposals	-	(5)	(118)	(123)
Charge for the year	20	14	148	182
At 30 June 2015	42	5,760	9,656	15,458
Net book value				
At 30 June 2015	1,471	40	443	1,954
At 30 June 2014	1,491	58	415	1,964

The net book value of land and buildings comprises:

Group	2015 £'000	2014 £'000
Freehold land and buildings	1,370	1,390
Long leasehold land and buildings	101	101
	1,471	1,491

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

9. TANGIBLE FIXED ASSETS (continued)

Land and buildings are held at a valuation. The group's freehold properties in the United Kingdom were revalued in June 2014 on the basis of open market value for existing use, by Woodford and Company, Chartered Surveyors. In accordance with accounting standards no valuation has been performed at this year-end.

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

	Group	
	2015	2014
	£'000	£'000
Original cost	1,396	1,396
Less: accumulated depreciation	(237)	(225)
Net book value	<u>1,159</u>	<u>1,171</u>

10. INTANGIBLE FIXED ASSETS

Group	£'000
Cost or valuation	
At 1 July 2014	9,381
Additions	617
At 30 June 2015	<u>9,998</u>
Accumulated amortisation	
At 1 July 2014	7,618
Charge for the year	748
At 30 June 2015	<u>8,366</u>
Net book value	
At 30 June 2015	<u>1,632</u>
At 30 June 2014	<u>1,763</u>

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

11. INVESTMENTS

	Company	
	2015	2014
	£'000	£'000
Cost of investment	22,395	22,395
Less: Provisions for impairment	(12,930)	(12,930)
Net book value	<u>9,465</u>	<u>9,465</u>

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

KANTONE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

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

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

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

* Owned by Multitone Electronics PLC.

** Owned by Multitone Communications Limited.

*** On 26 August 1997, Multitone Electronics PLC entered into a joint venture agreement with a third party to set up BEL-Multitone Limited, of which it owns 51% of the ordinary share capital. The financial year end of BEL-Multitone Ltd was 31 March 2015.

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

12. STOCKS

Group	2015 £'000	2014 £'000
Raw materials, purchased components and spares	1,131	1,290
Work in progress	134	82
Finished goods	489	560
	<u>1,754</u>	<u>1,932</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

13. DEBTORS

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts falling due in less than one year:				
Trade debtors	1,426	2,161	-	-
Amounts owed by group undertakings	2,273	2,295	100	100
Deferred tax asset	320	320	-	-
Other debtors	222	159	-	-
Prepayments and accrued income	171	164	-	-
	<u>4,412</u>	<u>5,099</u>	<u>100</u>	<u>100</u>
Amounts falling due after more than one year:				
Amounts receivable under finance leases	1,095	1,209	-	-
	<u>5,507</u>	<u>6,308</u>	<u>100</u>	<u>100</u>

The aggregate rentals receivable under finance leases as at 30 June 2015 was £2,154,000 (2014: £2,134,000).

Deferred taxation

The movement in deferred taxation is as follows:

	Group	
	2015	2014
	£'000	£'000
At 1 July	<u>320</u>	<u>320</u>
At 30 June	<u>320</u>	<u>320</u>

Analysis of deferred taxation:

	Group	
	2015	2014
	£'000	£'000
Tax losses and timing differences	<u>320</u>	<u>320</u>

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

KANTONE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank loans and overdrafts (note 16)	390	360	-	-
Trade creditors	674	806	-	-
Amounts owed to group undertakings	21,840	21,589	19,722	19,722
Corporation tax	23	27	-	-
VAT and other sales taxes	382	374	-	-
Payroll taxes and social security	155	161	-	-
Other creditors	1,054	1,457	-	-
Accruals and deferred income	2,369	2,096	-	-
	<u>26,887</u>	<u>26,870</u>	<u>19,722</u>	<u>19,722</u>

The external borrowings of Kantone (UK) Limited and its subsidiary companies are guaranteed by Champion Technology Holdings Limited.

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

Group	2015 £'000	2014 £'000
Bank loans	720	1,080
Overseas pensions	1,100	1,100
Amounts due to group undertakings	318	347
	<u>2,138</u>	<u>2,527</u>

16. BORROWINGS

Group	2015 £'000	2014 £'000
Bank loans and overdrafts	1,110	1,440
Amounts owed to group undertakings	17,099	17,099
	<u>18,209</u>	<u>18,539</u>
Due within one year	17,489	17,459
Between one and two years	360	360
Between two and five years	360	720
	<u>18,209</u>	<u>18,539</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

17. PROVISIONS FOR LIABILITIES

Warranty provision

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

	Group	
	2015 £'000	2014 £'000
At 1 July	97	106
Translation adjustment	(9)	(6)
Provided in year	80	87
Utilised in year	(79)	(90)
At 30 June	89	97

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

18. PENSION LIABILITY

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

The most recent actuarial valuation of the scheme was at 31 December 2014. The valuation used the projected unit method and was carried out by a professionally qualified actuary. The 31 December 2014 valuation was updated by the actuary on an approximate basis to calculate the FRS17 valuation as at 30 June 2015.

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

Group

	2015 Long term rate of return expected	2015 Value £'000	2014 Long term rate of return expected	2014 Value £'000
Alternatives	N/A	1,556	6.40%	1,587
Currency Hedge	N/A	82	6.40%	9
Swaps Hedging the liabilities	N/A	1,527	6.40%	(114)
Multi Asset Growth Fund	N/A	23,837	6.40%	22,081
Fixed Interest Gilts	N/A	1,615	3.40%	1,441
Indexed Linked Gilts	N/A	1,583	3.40%	1,329
Cash	N/A	544	0.50%	637
Total market value of assets		30,744		26,970
Present value of scheme liabilities		(37,405)		(34,439)
Deficit in scheme		(6,661)		(7,469)

Assumptions as at 30 June 2015 for the expected rate of return of the scheme's assets are not required since for periods beginning on or after 1 January 2015, all UK companies are required to transition from 'old' UK GAAP to one of several other accounting standards, which will replace the calculation of the expected return on assets with interest on the net balance sheet position using the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

18. PENSION LIABILITY (continued)

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

	2015	2014	2013
Discount rate	3.80%	4.30%	4.60%
Rate of increase in salaries	3.40%	3.50%	3.40%
Rate of increase in pensions in payment: Pre 1997	0.00%	0.00%	0.00%
Post 1998 GMP	2.20%	2.30%	2.20%
Post 1997	3.20%	3.30%	3.20%
Inflation assumption	3.40%	3.50%	3.40%

The contribution rate for 2015 was 23.90% of pensionable earnings and the agreed contribution rates for the next 15 years is 23.90% of pensionable earnings.

	2015 £'000	2014 £'000
Analysis of the movement in the scheme deficit during the year:		
Opening deficit in the scheme	(7,469)	(7,948)
Current service cost	(203)	(193)
Contributions	1,087	1,058
Curtailments	(79)	-
Other finance income/(costs)	24	(122)
Actuarial loss	(21)	(264)
Closing deficit in the scheme	(6,661)	(7,469)

Defined Contribution Pension Scheme

During the year contributions of £70k were made by the Multitone Electronics into the scheme (2014: £47k). There was an unpaid contribution of £6.1k outstanding at 30th June 2015. This amount is showing in Other Creditors and was paid fully in July.

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

	2015 £'000	2014 £'000
Amounts included within operating profit:		
Current service cost	(203)	(193)
Curtailments	(79)	-
Amounts included as other finance income/(costs):		
Expected return on scheme assets	1,485	1,352
Interest discount on scheme liabilities	(1,461)	(1,474)
Net finance income/(costs) (note 7)	24	(122)

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

- scheme assets at the balance sheet date; and
- present value of the scheme liabilities at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

18. PENSION LIABILITY (continued)

	2015	2015	2014	2014	2013	2013	2012	2012	2011	2011
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actual and expected return on scheme assets (i)	2,400	8%	1,135	4%	128	1%	112	0%	1,686	8%
Effects of changes in assumptions underlying the present value of scheme liabilities (ii)	(2,421)	(6%)	(1,399)	(4%)	822	3%	(3,519)	(11%)	365	1%
Total actuarial (losses) / gains recognised in the STRGL (ii)	(21)	0%	(264)	(1%)	950	4%	(3,407)	(14%)	2,051	9%

Impact of changes in Assumptions:

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

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is £4,862,000 (2014: £4,841,000).

Defined Contribution Pension Scheme

During the year contributions of £70,000 were made by Multitone Electronics into the scheme (2014: £47,000). There was an unpaid contribution of £6,100 outstanding at 30 June 2015. This amount is showing in Other Creditors and was paid fully in July 2015.

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 £318,000 (2014: £347,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

19. CALLED UP SHARE CAPITAL

	2015 £'000	2014 £'000
Called up, allotted and fully paid:		
5,500,000 (2014:5,500,000) ordinary shares of £1 each	5,500	5,500

20. STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
Group		
At 1 July 2014	231	(28,944)
Translation adjustment	(9)	-
Revaluation deficit	-	(10)
Amortisation of revaluation surplus	(10)	-
Retained profit for the year	-	1,236
Defined pension scheme actuarial loss	-	(52)
At 30 June 2015	212	27,770
Company		
At 1 July 2014 and 30 June 2015		(15,657)

The revaluation reserve is not distributable. The cumulative amount of goodwill written off against reserves is £14,805,000 (2014: £14,805,000). Goodwill will be charged to the profit and loss account on disposal of the business to which it relates.

21. OPERATING LEASE COMMITMENTS

At 30 June 2015 the group was committed to making the following payments during the next year in respect of operating leases:

Group	2015 Land and buildings £'000	2015 Plant and equipment £'000	2014 Land and buildings £'000	2014 Plant and equipment £'000
Operating leases which expire:				
Within one year	13	83	13	36
In two to five years	94	149	94	23
	107	232	107	59

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 (2014: £1,000).

22. 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.

KANTONE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 30 June 2015**

23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is M.C. 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 Bermuda and whose principal place of business is in Hong Kong.

The largest group in which the results of Kantone (UK) Limited and its subsidiary undertakings are consolidated is that headed by Champion Technology Holdings Limited. The consolidated financial statements of Champion Technology Holdings Limited are available to the public and may be obtained from Champion Technology Holdings Limited, 9th and 10th Floors, 1 Ning Foo Street, Chai Wan, Hong Kong.