



Company Registration No. 02833057 (England and Wales)

**KANTONE (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

# KANTONE (UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Stephen Gentry	
	Philip L Lawrence	(Appointed 1 November 2019)
	So Ying Lam	(Appointed 1 November 2019)
	Ka Lim Liu	(Appointed 1 November 2019)
	Terry Miller	(Appointed 1 November 2019)
	Frank Rotthoff	(Appointed 1 November 2019)
	Man Tat Li	(Appointed 1 November 2019)

<b>Secretary</b>	Philip L Lawrence
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<b>Company number</b>	02833057
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<b>Registered office</b>	Multitone House Shortwood Copse Lane Kempshott Basingstoke RG23 7NL
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<b>Auditor</b>	Moore Rutland House Minerva Business Park Lynch Wood Peterborough PE2 6PZ
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<b>Solicitors</b>	Olswang Apex Plaza Forbury Road Reading RG1 1AX
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# KANTONE (UK) LIMITED

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# KANTONE (UK) LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 JUNE 2019

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The directors present the strategic report for the year ended 30 June 2019.

#### Review of the business

Kantone (UK) Ltd does not trade as it is the holding company of the Multitone Electronics PLC group of companies. All of the consolidated numbers in these reports and accounts reflect the trading of the Multitone Group except for the addition of the investment that Kantone (UK) Ltd has in Multitone.

The principal activity of the group is the design, manufacture and supply of integrated wireless communication systems and solutions for sale and lease. The 2018/19 trading year has benefited from a continuing strong general economic climate specifically in the United Kingdom despite the uncertainty generated by Brexit.

Software solutions are beginning to become more important as the supporting technology improves in performance and the group is seeing a very gradual change from hardware to software. It is the view of the Board that this will remain as a gradual change as smart phones and the infrastructure that supports them are still not reliable enough or fast enough, to use in critical communications situations.

The full board meets half yearly and the executive board monthly in the interim, 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.

#### The Group's strategy and future developments

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 be the first to market with reliable and robust solutions. The group is examining new geographical regions for its products in the coming months.

#### The development and performance of the Group's business during the year

Even though the profit for the year saw a healthy positive number, the company's defined benefit pension scheme still presents a challenge due to the continued technical deficit on the defined benefit pension fund and therefore the directors cannot recommend the payment of a dividend (2017: £nil). As a result, the profit for the year is transferred to reserves.

a) 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 2019 are set out in the consolidated profit and loss account on page 11. Turnover for the year was £14,197,000 (2018: £13,367,000) a increase of £830,000 or 6.21%, and the profit on ordinary activities before taxation was £1,641,000 (2018: profit of £1,104,000) a 48.64 % increase. The profit for the financial year to 30 June 2019 after taxation was £1,704,000 (2018: profit of £1,117,000), a increase of 52.55 %.

One of the group's key measures of effectiveness of its operations is calculating gross margin after direct cost of sales. The group achieved a gross margin after direct costs of 53.2% (2018: 47.2%).

The group's cash levels have increased by £1,737,000 from £5,158,000 at the 2018 year-end, to £6,895,000 at the end of the current financial year. Income is generated from the turnover of the business and expenditures made on its' operation, research and development.

Contributions to the company pension scheme were in the form of an asset backed contribution (ABC) using a Scottish Limited Partnership and the repayment plan agreed by The Pension Regulator.

The group continues to embrace new technologies as they become available and to develop alternative communications technologies for the non-critical market using RFID, Wi-Fi, smart phones apps and infrastructure while recognising their weaknesses for the critical communication markets where Multitone radio based systems excel.

## KANTONE (UK) LIMITED

### STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2019**

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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, as a subsidiary of an ultimate holding company that is quoted on the Hong Kong Stock exchange, we do supply our ESG (Environmental, social and governance) data to them and as a result still monitor how well the business performs in this regard.

The Board is pleased to report that it complies with the relevant legislation and regulations in respect to ESG matters and operates well within local and international guidelines. We have adopted, where appropriate, the reporting required by the London Stock Exchange as laid out in their publication of January 2018 called "Your Guide to ESG Reporting" which has international scope even though it is not a requirement for a company of Kantone's size.

c) Staff, including the number of persons of each sex who were employees of the company

(i) the number of persons of each sex who were directors of the company;

Male 10, Female 6

(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.

(vii) Kantone (UK) Limited complies with the Modern Slavery Act 2015 and has included anti-slavery terms into its supply chain agreement

## **KANTONE (UK) LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 30 JUNE 2019**

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The position of the group at the year end

The group has net assets of £11,588,000 (2018 £10,242,000), however excluding the company defined benefit pension scheme the company has a net worth of £9,343,000 (2018 £8,158,000).

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 ongoing profit generation. It is the Directors' view that there is no evidence that a permanent diminution in asset value has taken place and as such no adjustment has been made at this time. The last formal valuation of the property owned by Kantone was this year end and is scheduled to be completed every five years in line with FRS102. A formal valuation of the properties was carried out and the properties increased in value.

The group's own pension fund continues to influence the balance sheet as the world markets fluctuate. This saw values of the investment portfolios struggle during this financial year and liabilities increased because of the strategies employed in the available markets. The gap between pension fund assets and liabilities increased due to the lower performance of investments despite the hedge which performed well to eliminate most of the negative effects.

The pension accounts have been prepared to FRS102. The Net Assets are £2,215,000 at the end of June 2019 compared to Net Assets of £2,084,000 as it was at the end of June 2018. It is the group's intention to continue supporting the pension fund and eliminate the technical value of the deficit entirely. There is a Pension Regulator approved formal plan to do this.

The gap in the pension fund between its assets and liabilities is covered by UK Government rules which require the implementation of an officially approved repayment plan and a payment of an annual Pension Protection Levy where should the company become genuinely insolvent, the Protection Fund steps in to cover the majority of the deficit. Due to both of these factors, the repayment of this liability is long term and is protected from diverting the company's assets towards covering its other liabilities. While the pension shows a surplus, the company will continue to make contributions until it is in a position to buy back the assets invested in the scheme through the Multitone Scottish Limited Partnership.

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. During the 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 considerable financial resources therefore the directors believe that the group is well placed to manage its business risks successfully. It is still the Directors' intention to exercise a cautious, risk adverse approach for the foreseeable future.

The Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

It is noticeable that credit rating agencies frequently fail to understand this distinction between a valuation of the balance with and without the pension in it and the protected status that this liability enjoys.

# KANTONE (UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2019**

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### **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 trades with companies and organisations in 146 countries around the world. This geographical spread facilitates a reduced exposure to any particular region of the world where trading risks may occur.

Brexit is one such exposure that could have some impact on Kantone but there are opportunities to take advantage of in a multiplicity of locations.

The group's pension fund continues to place a financial demand for cash to plug the gap between assets and liabilities.

The other area of risk is the extent of public sector expenditure. The NHS is under constant pressure from the government to cut spending and the Fire Brigades to seek economies of scale by joining their operations together. In the meantime Kantone is continuing to gain 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. The group's customers are frequently organisations that are backed by the government of the United Kingdom and are therefore a low credit risk. Bad debts are very rare but unusually the Kantone Group has experienced three in the financial year but none of them was significant.

### **Corporate Governance**

The group voluntarily complies with such elements of the Financial Reporting Council's "The UK Corporate Governance Code" ('the Code') (issued in April 2016) as the Directors consider it appropriate for a private company of its size. On 16 July 2018 the FRC published the updated UK Corporate Governance Code. The new Code applies to accounting periods beginning on or after 1 January 2019 and will be adopted by Kantone (UK) Limited once approved. The group 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 meet half yearly 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.

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

## **KANTONE (UK) LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2019***

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#### **Ultimate Parent Company**

Champion Technology Holdings Limited is regarded as the ultimate parent and is a quoted company on the Hong Kong stock exchange. There are no shareholders that can be regarded as having a controlling interest in the parent company. The largest shareholder is Worldwide Peace Ltd who owns 13.75% of Champion's shares. The shares of Worldwide Peace Limited are 100% owned by Ms Winny Wong who is also on the Board of Champion and Multitone. The next largest is Paul Poon Tak Chun who holds 7.9% of Champion's shares.

Champion Technology Holdings Ltd owns 64.9% of the Kantone Group which includes Kantone (UK) Limited. This means that Ms Winny Wong's total of 13.75% shares in Champion is diluted to 8.9375% in the Kantone Group. The other 35.1% of the shares in the Kantone group are traded on the Hong Kong stock exchange and there is no single investor who has any controlling interest.

On behalf of the board

Stephen Gentry

**Director**

2 December 2019

# KANTONE (UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2019

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The directors present their annual report and financial statements for the year ended 30 June 2019.

#### Principal activities

The principal activity of the group is the design, manufacture and supply of integrated wireless communication systems and solutions for sale and lease.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Stephen Gentry	
Wai Chan	(Resigned 31 October 2019)
Ka Lai Lau	(Resigned 31 October 2019)
Philip L Lawrence	(Appointed 1 November 2019)
So Ying Lam	(Appointed 1 November 2019)
Ka Lim Liu	(Appointed 1 November 2019)
Terry Miller	(Appointed 1 November 2019)
Frank Rotthoff	(Appointed 1 November 2019)
Man Tat Li	(Appointed 1 November 2019)

#### Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### Auditor

The auditor, Moore, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of directors' responsibilities

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 group and company, and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **KANTONE (UK) LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2019***

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#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Stephen Gentry  
**Director**

2 December 2019

# KANTONE (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KANTONE (UK) LIMITED

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#### Opinion

We have audited the financial statements of Kantone (UK) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2019 and of the group's profit 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# KANTONE (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF KANTONE (UK) LIMITED

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 parent company 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.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# **KANTONE (UK) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF KANTONE (UK) LIMITED**

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#### **Use of our report**

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.

**Mohamedraza Mavani FCA (Senior Statutory Auditor)**  
for and on behalf of

4 December 2019



**Chartered Accountants**  
**Statutory Auditor**

Rutland House  
Minerva Business Park  
Lynch Wood  
Peterborough  
PE2 6PZ

## KANTONE (UK) LIMITED

### GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	14,197	13,367
Cost of sales		(6,653)	(7,056)
<b>Gross profit</b>		<b>7,544</b>	<b>6,311</b>
Distribution costs		(2,882)	(2,673)
Administrative expenses		(3,304)	(2,717)
Other operating income		281	23
<b>Operating profit</b>	<b>4</b>	<b>1,639</b>	<b>944</b>
Interest receivable and similar income	8	2	175
Interest payable and similar expenses	9	-	(15)
<b>Profit before taxation</b>		<b>1,641</b>	<b>1,104</b>
Tax on profit	10	63	73
<b>Profit for the financial year</b>		<b>1,704</b>	<b>1,177</b>

## KANTONE (UK) LIMITED

### GROUP STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 30 JUNE 2019*

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	<b>1,704</b>	<b>1,177</b>
	<b>=====</b>	<b>=====</b>
<b>Other comprehensive income</b>		
Actuarial (loss)/gain on defined benefit pension schemes	(181)	3,331
Currency translation differences	7	19
	<b>=====</b>	<b>=====</b>
<b>Other comprehensive income for the year</b>	<b>(174)</b>	<b>3,350</b>
	<b>=====</b>	<b>=====</b>
<b>Total comprehensive income for the year</b>	<b>1,530</b>	<b>4,527</b>
	<b>=====</b>	<b>=====</b>

# KANTONE (UK) LIMITED

## GROUP BALANCE SHEET

AS AT 30 JUNE 2019

		2019	2018
	Notes	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	11	1,426	1,436
Tangible assets	12	2,310	2,182
		<u>3,736</u>	<u>3,618</u>
<b>Current assets</b>			
Stocks	15	2,020	1,954
Debtors	16	6,999	5,855
Cash at bank and in hand		6,896	5,158
		<u>15,915</u>	<u>12,967</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(28,204)</u>	<u>(26,434)</u>
<b>Net current liabilities</b>		<u>(12,289)</u>	<u>(13,467)</u>
<b>Total assets less current liabilities</b>		<u>(8,553)</u>	<u>(9,849)</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(1,589)	(1,495)
<b>Provisions for liabilities</b>	19	(136)	(119)
<b>Net assets excluding pension surplus</b>		<u>(10,278)</u>	<u>(11,463)</u>
<b>Defined benefit pension surplus</b>	21	2,215	2,084
<b>Net liabilities</b>		<u>(8,063)</u>	<u>(9,379)</u>
<b>Capital and reserves</b>			
Called up share capital	22	5,500	5,500
Revaluation reserve		125	16
Profit and loss reserves		(13,688)	(14,895)
<b>Total equity</b>		<u>(8,063)</u>	<u>(9,379)</u>

The financial statements were approved by the board of directors and authorised for issue on 2 December 2019 and are signed on its behalf by:

Stephen Gentry  
Director

# KANTONE (UK) LIMITED

## COMPANY BALANCE SHEET

AS AT 30 JUNE 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	13		9,465		9,465
<b>Current assets</b>					
Debtors	16	100		100	
<b>Creditors: amounts falling due within one year</b>	17	(19,722)		(19,722)	
<b>Net current liabilities</b>			(19,622)		(19,622)
<b>Total assets less current liabilities</b>			(10,157)		(10,157)
<b>Capital and reserves</b>					
Called up share capital	22		5,500		5,500
Profit and loss reserves			(15,657)		(15,657)
<b>Total equity</b>			(10,157)		(10,157)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £Nil (2018 - £Nil).

The financial statements were approved by the board of directors and authorised for issue on 2 December 2019 and are signed on its behalf by:

Stephen Gentry  
Director

Company Registration No. 02833057

# KANTONE (UK) LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2017</b>	5,500	26	(19,422)	(13,896)
<b>Year ended 30 June 2018:</b>				
Profit for the year	-	-	1,177	1,177
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	3,331	3,331
Currency translation differences	-	-	19	19
Total comprehensive income for the year	-	-	4,527	4,527
Other movements	-	(10)	-	(10)
<b>Balance at 30 June 2018</b>	5,500	16	(14,895)	(9,379)
<b>Year ended 30 June 2019:</b>				
Profit for the year	-	-	1,704	1,704
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(181)	(181)
Currency translation differences	-	-	7	7
Total comprehensive income for the year	-	-	1,530	1,530
Transfers	-	-	(323)	(323)
Other movements	-	109	-	109
<b>Balance at 30 June 2019</b>	5,500	125	(13,688)	(8,063)

## KANTONE (UK) LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 30 JUNE 2019*

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	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 July 2017	5,500	(15,657)	(10,157)
	<hr/>	<hr/>	<hr/>
Year ended 30 June 2018:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2018	5,500	(15,657)	(10,157)
	<hr/>	<hr/>	<hr/>
Year ended 30 June 2019:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2019	5,500	(15,657)	(10,157)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# KANTONE (UK) LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	25		2,364		1,229
Interest paid			-		(15)
Income taxes refunded/(paid)			32		-
<b>Net cash inflow from operating activities</b>			2,396		1,214
<b>Investing activities</b>					
Purchase of intangible assets		(535)		(479)	
Purchase of tangible fixed assets		(125)		(95)	
Interest received		2		175	
<b>Net cash used in investing activities</b>			(658)		(399)
<b>Financing activities</b>					
Repayment of bank loans		-		(360)	
<b>Net cash used in financing activities</b>			-		(360)
<b>Net increase in cash and cash equivalents</b>			1,738		455
Cash and cash equivalents at beginning of year			5,158		4,641
Effect of foreign exchange rates			-		62
<b>Cash and cash equivalents at end of year</b>			6,896		5,158

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2019**

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### **1 Accounting policies**

#### **Company information**

Kantone (UK) Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Multitone House, Shortwood Copse Lane, Kempshott, Basingstoke, RG23 7NL.

The group consists of Kantone (UK) Limited and all of its subsidiaries.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### **1.2 Basis of consolidation**

The group financial statements consolidate the financial statements of Kantone (UK) Limited and all of its subsidiaries drawn up to 30 June each year. Kantone (UK) Limited has taken the permitted exemption from the disclosure requirement required in FRS 102 Sections 11 & 12 for qualifying entities. All subsidiaries of the group are included on the purchase method of accounting.

No profit and loss account is presented for Kantone (UK) Limited, the company only, as provided by Section 408 of the Companies Act 2006. Included in the consolidated profit for the financial year is a profit for the year of £Nil (2018: £Nil) which was attributable to the shareholders of Kantone (UK) Limited.

#### **1.3 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.4 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 leases 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 costs of open contracts less accumulated amortisation.

When the group is engaged in the supply of goods and services under contracts which in total may exceed one years in duration, turnover comprises the invoiced value of work carried out to the accounting date. To the extent that the billings are recorded in advanced 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 lease is recognised in the profit and loss account in proportion to the capital amount outstanding.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 1 Accounting policies

(Continued)

#### 1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### 1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Research and development intangibles	Maximum of 5 years
--------------------------------------	--------------------

#### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Held at valuation
Leasehold land and buildings	Held at valuation
Plant and equipment	3 - 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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### 1 Accounting policies

(Continued)

#### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

#### 1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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### 1 Accounting policies

(Continued)

#### 1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.15 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.16 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.17 Retirement benefits**

In the United Kingdom the group operates a defined contribution pension scheme; the employer's 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 charges to the profit and loss account relate to the current service costs of employees.

The costs of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumption and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management consider the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 1 Accounting policies

(Continued)

The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

#### 1.18 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

#### 1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

	2019 £'000	2018 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	9,969	7,592
North America	141	574
France and Germany	3,451	3,606
Other European Countries	-	808
Rest of World	636	787
	<u>14,197</u>	<u>13,367</u>

Sales in respect of finance leases and rental agreements included in turnover above are as follows:

Finance lease sales in the year ended 30 June 2019 totalling £2,134,000 (2018: £2,192,000);  
Income from equipment hire in the year ended 30 June 2019 totalling £1,037,000 (2018: £1,003,000).

Assets acquired in the year for the purpose of sale under finance leases totalled £823,000 (2018: £505,000).

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 4 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging/(crediting):		
Research and development recognised as an expense in the year	248	77
Exchange losses/(gains)	54	(12)
Depreciation of owned tangible fixed assets	144	242
Amortisation of intangible assets	545	609
(Gain)/loss on disposal of tangible fixed assets	3	-
Cost of stocks recognised as an expense	3,161	5,221
Operating lease charges	217	473
	<u>          </u>	<u>          </u>

During the year the Directors have revisited the classification of expenses in the profit and loss account. As a result, £2,661,000 of expenses which were included in cost of sales in the prior year have been reclassified to distribution costs.

### 5 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	5	5
Audit of the financial statements of the company's subsidiaries	34	54
	<u>          </u>	<u>          </u>
	39	59
	<u>          </u>	<u>          </u>

### 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Development and manufacturing	48	51	-	-
Sales and service	88	81	-	-
Administration	36	40	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	172	172	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Wages and salaries	5,964	9,582	-	-
Social security costs	852	1,221	-	-
Pension costs	265	504	-	-
	<u>7,081</u>	<u>11,307</u>	<u>-</u>	<u>-</u>

### 7 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	958	841
Pension contributions	76	66
	<u>1,034</u>	<u>907</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2018 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	183	182
Pension contributions	10	10
	<u></u>	<u></u>

### 8 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	2	175
	<u></u>	<u></u>

### 9 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	-	15
	<u></u>	<u></u>

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 10 Taxation

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	(63)	(73)

The actual credit for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit before taxation	1,641	1,104
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	312	210
Tax effect of expenses that are not deductible in determining taxable profit	2	-
Tax effect of utilisation of tax losses not previously recognised	(290)	(6)
Research and development tax credit	(100)	(135)
Other permanent differences	13	(142)
Taxation credit	(63)	(73)

A deferred tax asset has been recognised in respect of timing differences relating to trading losses and depreciation in excess of capital allowances as it is considered as more likely than not that there will be suitable taxable profits available for the losses to be relieved and for the asset to be recovered. The amount of the asset not recognised is £910,000 (2018: £1,200,000). 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 £772,000 (2018: £772,000) 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 £212,000 (2018: £212,000) has not been recognised in respect of the defined benefit pension scheme liability as it cannot be determined with reasonable certainty that there will be suitable taxable profits available for this to be relieved and for the asset to be recovered.

A deferred tax asset to the sum of £85,000 (2018: £85,000) has not been recognised in respect of R&D expenditure credits available for carry forward to offset against future corporation tax liabilities. In the opinion of the directors there will be no foreseeable liabilities.

## KANTONE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2019**

#### 11 Intangible fixed assets

<b>Group</b>	<b>Research and development intangibles £'000</b>
<b>Cost</b>	
At 1 July 2018	11,757
Additions - separately acquired	535
	<hr/>
At 30 June 2019	12,292
	<hr/>
<b>Amortisation and impairment</b>	
At 1 July 2018	10,321
Amortisation charged for the year	545
	<hr/>
At 30 June 2019	10,866
	<hr/>
<b>Carrying amount</b>	
At 30 June 2019	1,426
	<hr/>
At 30 June 2018	1,436
	<hr/>

The company had no intangible fixed assets at 30 June 2019 or 30 June 2018.

Intangible assets for both the group and company comprise costs incurred in respect of producing software, pre-production prototypes and test equipment for new products. Intangible assets are recognised at cost. These costs are amortised over a period of 5 years which reflects the expected commercial life of the products in question.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 12 Tangible fixed assets

Group	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 July 2018	1,847	101	14,837	16,785
Additions	-	-	125	125
Disposals	-	-	(29)	(29)
Revaluation	120	-	-	120
Exchange adjustments	5	-	17	22
At 30 June 2019	1,972	101	14,950	17,023
<b>Depreciation and impairment</b>				
At 1 July 2018	72	-	14,531	14,603
Depreciation charged in the year	20	-	124	144
Eliminated in respect of disposals	-	-	(28)	(28)
Revaluation	(22)	-	-	(22)
Exchange adjustments	1	-	15	16
At 30 June 2019	71	-	14,642	14,713
<b>Carrying amount</b>				
At 30 June 2019	1,901	101	308	2,310
At 30 June 2018	1,775	101	306	2,182

The company had no tangible fixed assets at 30 June 2019 or 30 June 2018.

Land and buildings are held at valuation. The Group's freehold properties in the United Kingdom were revalued in May 2019 on the basis of open market value for existing use, by Baker Davidson Thomas, Chartered Surveyors.

### 13 Fixed asset investments

	Group 2019 2018	Company 2019 2018
Notes	£'000	£'000
Investments in subsidiaries	-	9,465

## KANTONE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

#### 13 Fixed asset investments

(Continued)

The investment in subsidiary undertakings consists of 100% of the ordinary share capital of Multitone Electronics plc, a company incorporated in the United Kingdom and registered in England and Wales. An 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 by Multitone Electronics plc and are incorporated in the United Kingdom except where otherwise indicated.

##### Sales

Multitone Electronics plc  
Multiton Elektronik GmbH (Germany)  
Multitone General Partner Ltd  
Multitone Retirement Benefits Plan Trustee Ltd  
Multitone Scottish Limited Partnership

##### 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 Communications Limited

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

#### Movements in fixed asset investments

Company	Shares in group undertakings
	£'000
<b>Cost or valuation</b>	
At 1 July 2018 and 30 June 2019	22,395
<b>Impairment</b>	
At 1 July 2018 and 30 June 2019	12,930
<b>Carrying amount</b>	
At 30 June 2019	9,465
At 30 June 2018	9,465

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 14 Financial instruments

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	6,408	5,385	100	100
Equity instruments measured at cost less impairment	-	-	9,465	9,465
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	26,643	24,987	19,722	19,722
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

### 15 Stocks

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Raw materials and consumables	1,236	1,012	-	-
Work in progress	123	204	-	-
Finished goods and goods for resale	661	738	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
	2,020	1,954	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

### 16 Debtors

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	1,571	1,991	-	-
Corporation tax recoverable	103	-	-	-
Amounts owed by group undertakings	3,632	2,296	100	100
Other debtors	28	129	-	-
Prepayments and accrued income	168	150	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
	5,502	4,566	100	100
Deferred tax asset (note 20)	320	320	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
	5,822	4,886	100	100
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Amounts falling due after more than one year:</b>				
Amounts receivable under finance leases	1,177	969	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total debtors</b>	<u>6,999</u>	<u>5,855</u>	<u>100</u>	<u>100</u>

Of the debtors due after more than one year, £Nil (2018: £32,000) is due after more than 5 years.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 17 Creditors: amounts falling due within one year

	Group		Company	
Notes	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	686	466	-	-
Amounts owed to group undertakings	23,304	22,206	19,722	19,722
Corporation tax payable	-	28	-	-
Other taxation and social security	538	585	-	-
Deferred income	2,612	2,330	-	-
Other creditors	1,064	819	-	-
	<u>28,204</u>	<u>26,434</u>	<u>19,722</u>	<u>19,722</u>

The bank borrowings of Multitone Electronics plc and its subsidiary companies are guaranteed by Champion Technology Holdings Limited, the ultimate parent company.

The group operates a number of intercompany loans from its subsidiaries, these are all interest free and repayable on demand.

### 18 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	1,100	1,100	-	-
Other creditors	489	395	-	-
	<u>1,589</u>	<u>1,495</u>	<u>-</u>	<u>-</u>

The Group has two loans with Kantone Asia of £500k each. The loan is for ten years until 2025 at which point it is repayable. Interest is at 2.25% over the Bank of England base rate commencing in the financial year commencing July 2018.

### 19 Provisions for liabilities

Group		Company	
2019	2018	2019	2018
£'000	£'000	£'000	£'000
136	119	-	-
<u>136</u>	<u>119</u>	<u>-</u>	<u>-</u>

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 19 Provisions for liabilities (Continued)

Movements on provisions:

Group	£'000
At 1 July 2018	119
Exchange difference	17
	<hr/>
At 30 June 2019	136
	<hr/>

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Assets 2019 £'000	Assets 2018 £'000
Group		
Accelerated capital allowances	320	320
	<hr/>	<hr/>

The company has no deferred tax assets or liabilities.

There were no deferred tax movements in the year.

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 dependant upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management consider the schedules 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.

### 21 Retirement benefit schemes

	2019 £'000	2018 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	265	504
	<hr/>	<hr/>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 21 Retirement benefit schemes

(Continued)

#### Defined benefit schemes

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 separately administered fund.

The most recent actuarial valuation of the scheme was at 30 June 2019. The valuation used the projected unit method and was carried out by a professionally qualified actuary.

The total assets and liabilities of the scheme and the expected rates of return at 30 June are as follows:

	2019	2018
	%	%
<i>Key assumptions</i>		
Discount rate	2.30	2.75
Expected rate of increase of pensions in payment	3.25	3.15
Expected rate of salary increases		
Pre 1997	0.00	0.00
Post 1998 GMP	2.15	2.05
Post 1997	3.40	3.15
Medical cost trend rate	3.40	3.25
	=====	=====
<i>Mortality assumptions</i>		
Assumed life expectations on retirement at age 65:	2019	2018
	Years	Years
Retiring today		
- Males	21.70	22.10
- Females	23.30	23.60
	=====	=====
Retiring in 20 years		
- Males	23.40	23.90
- Females	24.90	25.30
	=====	=====
	2019	2018
<i>Amounts taken to other comprehensive income</i>	£'000	£'000
Other gains and losses	181	(4,427)
	=====	=====

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	38,916	37,222	-	-
Fair value of plan assets	(41,131)	(39,306)	-	-
	=====	=====	=====	=====
Deficit in scheme	(2,215)	(2,084)	-	-
	=====	=====	=====	=====

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 21 Retirement benefit schemes

(Continued)

	<b>Group 2019 £'000</b>
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 July 2018	37,222
Benefits paid	(1,865)
Interest cost	998
Other	2,561
	<u>38,916</u>
At 30 June 2019	<u><u>38,916</u></u>
	<b>Group 2019 £'000</b>
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	38,916
	<u>38,916</u>
	<u><u>38,916</u></u>
	<b>Group 2019 £'000</b>
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 July 2018	39,306
Interest income	2,474
Benefits paid	(1,865)
Contributions by the employer	312
Other	904
	<u>41,131</u>
At 30 June 2019	<u><u>41,131</u></u>

# KANTONE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 21 Retirement benefit schemes

(Continued)

*Fair value of plan assets at the reporting period end*

	Group 2019 £'000	2018 £'000
Alternatives	3,870	4,421
Currency hedge	(47)	(339)
Swaps hedging the liabilities	(469)	(614)
Multi asset growth fund	18,789	25,124
Fixed interest gilts	5,834	1,475
Index linked gilts	5,466	1,892
Property	1,669	1,609
Value of SLP	4,765	4,765
Cash	885	650
Insured pensions	369	323
	<u>41,131</u>	<u>39,306</u>

### 22 Share capital

	Group and company 2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
5,500,000 Ordinary shares of £1 each	<u>5,500</u>	<u>5,500</u>

### 23 Related party transactions

The Company has taken advantage of the exemption provided in by FRS 102 paragraph 1.12 not to disclose key management personnel compensation.

The Group and Company have taken advantage of of the exemption provided by FRS 102 paragraph 33.1A to not disclose transactions with other wholly-owned Group undertakings.

### 24 Controlling party

The company is a subsidiary undertaking of Kantone Holdings Limited, a company incorporated in The Cayman Islands and whose principal place of business is 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 and smallest 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.

## KANTONE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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25 Cash generated from group operations

	2019 £'000	2018 £'000
Profit for the year after tax	1,704	1,177
<b>Adjustments for:</b>		
Taxation credited	(63)	(73)
Finance costs	-	15
Investment income	(2)	(175)
Loss on disposal of tangible fixed assets	184	-
Amortisation and impairment of intangible assets	545	606
Depreciation and impairment of tangible fixed assets	144	211
Increase in provisions	17	13
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(124)	13
Increase in debtors	(1,041)	(333)
Increase/(decrease) in creditors	1,000	(225)
<b>Cash generated from operations</b>	<u>2,364</u>	<u>1,229</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.