

KANTONE (UK) LIMITED

Annual Report and Financial Statements

30 June 2018



KANTONE (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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KANTONE (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Stephen Gentry (Chief Executive Officer)
Ka Lai Lau
Wai Chan

SECRETARY

Philip L Lawrence

REGISTERED OFFICE

Multitone House
Shortwood Copse Lane
Kempshott
Basingstoke
United Kingdom
RG23 7NL

BANKERS

HSBC Bank plc
8 London Street
Basingstoke
Hampshire
RG21 7NU

SOLICITORS

Olswang
Apex Plaza
Forbury Road
Reading
RG1 1AX

INDEPENDENT AUDITOR

Moore Stephens
Rutland House
Minerva Business Park
Lynch Wood
Peterborough
PE2 6PZ

KANTONE (UK) LIMITED

STRATEGIC REPORT (continued)

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) Ltd and its subsidiary undertakings when viewed as a whole. The directors in preparing the strategic report have complied with section 414c of the Companies Act 2006.

REVIEW OF THE BUSINESS

Kantone (UK) Limited is the holding company for the Multitone Electronics PLC group. The principal activity of the group is the design, manufacture and supply of integrated wireless communication systems and solutions for sale and lease. The 2017/18 trading year has benefited from both a continuing strong general economic climate specifically in the United Kingdom and the successful launch of a number of revised products, targeted at the critical messaging market. 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.

A DESCRIPTION OF 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 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 2018 are set out in the consolidated profit and loss account on page 11. Turnover for the year was £13,367,000 (2017: £14,243,000) a decrease of £876,000 or 6.15%, and the profit on ordinary activities before taxation was £1,104,000 (2017: profit of £1,656,000) a 33.33 % decrease. The profit for the financial year to 30 June 2018 after taxation was £1,117,000 (2017: profit of £1,615,000), a decrease of 30.83 %

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 27.3 % (2017: 29.8%). The most prominent reason for the decrease in gross margin was the decrease in the sales of software where development costs are capitalised and depreciated rather than treated as a cost of sale.

The group's cash levels have increased by £517,000 from £4,641,000 at the 2017 year-end, to £5,158,000 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 which meant the usual cash repayment plan has been delayed by two years, boosting cash reserves to pay for new research and development. The repayment plan recommences for the 2018/19 financial year.

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

- 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 (UK) LIMITED

STRATEGIC REPORT (continued)

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 group
 - (i) the number of persons of each sex who were directors of the company;
Male 10, Female 6 (1 of these appointed after the year end)
 - (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) Ltd upholds the highest standards of human rights.
 - (ii) Kantone (UK) Ltd 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) Ltd 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) Ltd complies with all of the current statutory and regulatory requirements in relation to the environment.
 - (v) Kantone (UK) Ltd does not enter into any agreement with customers, suppliers, partners, dealerships or any other organisation that requires bribes, solicitation or extortion.
 - (vi) Kantone (UK) Ltd will always comply with the taxation law of the country it is operating in.
 - (vii) Kantone (UK) Ltd complies with the Modern Slavery Act 2015 and has included anti-slavery terms into its supply chain agreement

KANTONE (UK) LIMITED

STRATEGIC REPORT

THE POSITION OF THE GROUP AT THE YEAR END

The group has net liabilities of £9,379,000 (2017 £13,896,000), however excluding the company defined benefit pension scheme the company has a net liabilities of £11,463,000 (2017 £12,649,000).

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 at the 2013/14 year end and is scheduled to be completed every five years in line with FRS102. A formal valuation of the properties is due to be carried out at the next year end.

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 increase by a lower proportion because of the strategies employed in the available markets. The gap between pension fund assets and liabilities decreased due to the positive performance of investments and has a surplus once the implementation of the asset backed contribution scheme of £4,765,000 is recognised. The surplus is also allowed to be included on the basis that it is reasonably certain of being realised in the short term and the scheme Trustees have agreed that the company could reduce its repayment plan to the extent of the surplus if it so wishes. The company has declined to do this at this time preferring to reduce the reliance on the Asset Backed Contribution first.

The accounts have been prepared to FRS102. The Net Assets are £2,084,000 compared to a Net Liability of £1,247,000 as it was at the end of June 2017. It is the group's intention to continue supporting the pension fund and eliminate 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.

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.

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.

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 9.17% of Champion's shares and has undertaken to take a further 4.58% under a rights issue of shares. The shares of Worldwide Peace Limited are 100% owned by Ms Winny Wong who is also on the Board of Champion and the Multitone Group which Kantone holds. 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.

KANTONE (UK) LIMITED

STRATEGIC REPORT

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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. While the company is having a pension gap repayment holiday the Board is very aware that payments will recommence in July 2018 which will place increased risk on cash funding levels that have to be managed carefully.

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.

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) Ltd.

The group has a written policy statement that applies the Code to Kantone (UK) Ltd 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.

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

P. L. Lawrence

Philip L Lawrence

Company Secretary

11th March 2019

KANTONE (UK) LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY 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 FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. 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.

The directors present their annual report and the audited financial statements for the year ended 30 June 2018.

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 notes to the financial statements.

DIVIDENDS

The directors do not recommend a dividend to be paid to ordinary shareholders on the register (2017: £nil).

DIRECTORS

Kantone complies with the Companies Act 2006 requirement that prohibits a UK company from indemnifying a director against his liability for negligence, default, breach of duty or breach of trust in relation to the company or an associated company.

The Board of Directors for Kantone (UK) Limited consists of the following individuals:

Paul Man Lok Kan. Resigned 28th December 2017

Paul Michael James Kirby. Resigned 28th December 2017

Stephen Gentry, CEO - Group. Appointed 29th December 2017

KANTONE (UK) LIMITED

DIRECTORS' REPORT

Ka Lai (Jenny) Lau. Appointed on 29th December 2017

Wai (Kelvin) Chan. Appointed on 29th December 2017

DIRECTORS' REMUNERATION

Only executive directors receive salaried remuneration apart from one non executive who gets a token fixed monthly payment and has subsequently resigned during the financial year. All other directors receive no remuneration from the group. Part of the contractual remuneration package is related to company performance and varies accordingly.

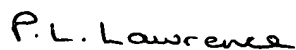
AUDITOR

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 they ought to have taken as a director to make himself/herself 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.

Moore Stephens have expressed their willingness to continue in office as auditor. Approved by the Board of Directors and signed on behalf of the Board



Philip L Lawrence

Company Secretary

11th March 2019

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MULTITONE ELECTRONICS PLC

Opinion

We have audited the financial statements of Kantone (UK) Ltd for the year ended 30 June 2018 set out on pages 10 to 35. 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 parent company's affairs as at 30 June 2018 and of its result 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 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.

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 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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, 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 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 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.

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 Moore Stephens

Chartered Accountants and Statutory Auditor

Rutland House, Minerva Business Park,

Lynch Wood Peterborough, United Kingdom. PE2 6PZ

15th March 2019



KANTONE (UK) LTD**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
Year ended 30 June 2018

	Note	2018 £'000	2017 £'000
TURNOVER	3	13,367	14,243
Cost of sales		(9,717)	(9,996)
GROSS PROFIT		3,650	4,247
Other operating expenses	4	(2,729)	(2,689)
Other operating income		23	137
OPERATING PROFIT	6	944	1,695
Interest receivable and similar income		175	164
Interest payable and similar charges	8	(15)	(203)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,104	1,656
Tax charge on profit on ordinary activities	9	73	(41)
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,177	1,615

KANTONE (UK) LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 30 June 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		1,177	1,615
Revaluation deficit		(10)	(10)
Defined pension scheme actuarial Gain/(loss)	19	3,331	4,428
Gains Arising on revaluation of tangible fixed assets	10	-	180
Gains on disposal of investments		-	-
Currency translation differences on foreign currency net investments Gain/(loss)		19	(3)
Total comprehensive income relating to the year		4,517	6,210

KANTONE (UK) LIMITED

GROUP CONSOLIDATED BALANCE SHEET At 30TH June 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Tangible assets	10	2,182	2,278
Intangible assets	11	1,436	1,563
		<u>3,618</u>	<u>3,841</u>
CURRENT ASSETS			
Stocks	13	1,954	1,967
Debtors	14	4,886	4,498
Cash at bank and in hand		5,158	4,641
		<u>11,998</u>	<u>11,106</u>
Debtors due after one year	14	<u>969</u>	<u>1,024</u>
Total Assets		12,967	12,130
CREDITORS: amounts falling due within one year	15	<u>(26,434)</u>	<u>(27,025)</u>
NET CURRENT LIABILITIES		<u>(13,467)</u>	<u>(14,895)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(9,849)</u>	<u>(11,054)</u>
CREDITORS: amounts falling due after more than one year	16	(1,495)	(1,489)
PROVISIONS FOR LIABILITIES	18	<u>(119)</u>	<u>(106)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>(11,463)</u>	<u>(12,649)</u>
PENSION SURPLUS	19	<u>2,084</u>	<u>(1,247)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u><u>(9,379)</u></u>	<u><u>(13,896)</u></u>
CAPITAL AND RESERVES			
Called up share capital	20	5,500	5,500
Revaluation reserve		16	26
Profit and loss account deficit		<u>(14,895)</u>	<u>(19,422)</u>
SHAREHOLDERS' DEFICIT		<u><u>(9,379)</u></u>	<u><u>(13,896)</u></u>

The financial statements of Kantone (UK) Limited, registered no 02833057, set out on pages 10 to 35, were approved and authorised for issue by the board of directors and were signed on its behalf by:


Stephen Gentry

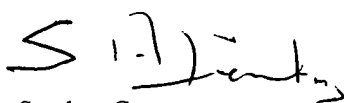
CEO

11th March 2019

KANTONE (UK) LTD

COMPANY BALANCE SHEET At 30 June 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Tangible assets			
Intangible assets			
Investments	12	9,465	9,465
		<u>9,465</u>	<u>9,465</u>
CURRENT ASSETS			
Stocks			
Debtors	14	100	100
Cash at bank and in hand			
		<u>100</u>	<u>100</u>
Debtors due after one year			
Total Assets		9,565	9,565
CREDITORS: amounts falling due within one year	15	(19,722)	(19,722)
NET CURRENT LIABILITIES		<u>(19,622)</u>	<u>(19,622)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(10,157)	(10,157)
CREDITORS: amounts falling due after more than one year			
PROVISIONS FOR LIABILITIES			
NET ASSETS EXCLUDING PENSION LIABILITY		<u>(10,157)</u>	<u>(10,157)</u>
PENSION LIABILITY			
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(10,157)</u>	<u>(10,157)</u>
CAPITAL AND RESERVES			
Called up share capital	20	5,500	5,500
Revaluation reserve			
Profit and loss account deficit		(15,657)	(15,657)
SHAREHOLDERS' FUNDS/(DEFICIT)		<u>(10,157)</u>	<u>(10,157)</u>



Stephen Gentry
CEO

11th March 2019

KANTONE (UK) LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 30 June 2018

Year ended 30 June 2017

	Share Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 July 2016	5,500	178	(25,784)	(20,107)
Profit for the year	-	-	1,615	1,615
Currency translation difference on foreign currency net investments	-	-	(12)	(12)
Transfer to Retained Earnings	-	(332)	332	-
Actuarial gains on pension scheme	-	-	4,427	4,427
Gains arising on revaluation of tangible fixed assets	-	180	-	-
Gain arising on disposal of investments	-	-	-	-
Realised on disposal of tangible fixed assets	-	-	-	-
At 30 June 2017	<u>5,500</u>	<u>26</u>	<u>(19,422)</u>	<u>(13,896)</u>

Year ended 30 June 2018

	Share Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 July 2017	5,500	26	(19,422)	(13,896)
Profit for the year	-	-	1,177	1,177
Currency translation difference on foreign currency net investments	-	-	19	19
Transfer to Retained Earnings	-	(10)	-	(10)
Actuarial gains on pension scheme	-	-	3,331	3,331
Gains arising on revaluation of tangible fixed assets	-	-	-	-
Realised on disposal of tangible fixed assets	-	-	-	-
Gain arising on disposal of investments	-	-	-	-
At 30 June 2018	<u>5,500</u>	<u>16</u>	<u>(14,895)</u>	<u>(9,379)</u>

KANTONE (UK) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY 30 June 2018

Year ended 30 June 2018

	Share Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 July 2016	5,500	-	(15,657)	(10,157)
Profit for the year	-	-	-	-
Currency translation difference on foreign currency net investments	-	-	-	-
Actuarial gains on pension scheme	-	-	-	-
Gains arising on revaluation of tangible fixed assets	-	-	-	-
Realised on disposal of tangible fixed assets	-	-	-	-
Gain arising on disposal of investments	-	-	-	-
Transfer to Profit and Loss	-	-	-	-
At 30 June 2017	<u>5,500</u>	<u>-</u>	<u>(15,657)</u>	<u>(10,157)</u>

Year ended 30 June 2018

	Share Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 July 2017	5,500	-	(15,657)	(10,157)
Profit for the year	-	-	-	-
Currency translation difference on foreign currency net investments	-	-	-	-
Actuarial gains on pension scheme	-	-	-	-
Gains arising on revaluation of tangible fixed assets	-	-	-	-
Realised on disposal of tangible fixed assets	-	-	-	-
Gain arising on disposal of investments	-	-	-	-
Transfer to Profit and Loss	-	-	-	-
At 30 June 2018	<u>5,500</u>	<u>-</u>	<u>(15,657)</u>	<u>(10,157)</u>

KANTONE (UK) LTD

CONSOLIDATED CASH FLOW 30 June 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit for the financial year	1,177	1,615
Adjustments for:		
Amortisation of intangible assets	606	658
Depreciation of tangible assets	234	221
Interest paid	15	203
Interest received	175	(164)
Taxation	(73)	41
Pension Contributions	0	0
(Increase) / decrease in trade and other debtors	(333)	437
(Increase) / decrease in stocks	13	(129)
Increase / (decrease) in trade creditors	(585)	(36)
Net cash generated from operating activities	1,229	2,846
Cash flows from investing activities		
Proceeds from sale of tangible assets	0	0
Purchase of tangible assets	(95)	(119)
Purchase of intangible assets	(479)	(587)
Interest received	175	164
Net cash from investing activities	(399)	(542)
Cash flows from financing activities		
Repayment of bank loans	(360)	(360)
Interest paid	(15)	(203)
Net cash used in financing activities	(375)	(563)
Net increase / decrease in cash and cash equivalents	455	1,741
Foreign exchange translation adjustments	62	(43)
Cash and Cash equivalents at the beginning of the year	4,641	2,943
Cash and cash equivalents at the end of the year	5,158	4,641

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

ACCOUNTING POLICIES

The financial statements are prepared in accordance FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006. The date of transition to FRS102 is 1 July 2014.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 2).

The company is exempt from preparing company only cash flow statements under FRS102 when the parent company has published a consolidated one.

Going concern

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 a 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. 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.

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.

As previously stated in the strategic report, the company has considerable financial resources therefore the directors believe that the company 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 is a lot of interest and even orders for our new i-message product plus Ekotek but it is still the Directors' intention to exercise a cautious, risk adverse approach for the foreseeable future.

In addition the Directors are in receipt of a letter of support from the ultimate parent company, which confirms the parent company's intention to 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 and pension assets and liabilities.

Basis of consolidation

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

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 (2016: £nil) which was attributable to the shareholders of Kantone (UK) Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2018

1. ACCOUNTING POLICIES (CONTINUED)

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 cost of open contracts less accumulated amortisation.

Where the Group is engaged in the supply of goods and services under contracts which in total may exceed one year in duration, turnover comprises the invoiced value of work carried out to the accounting date. To the extent that the billings are recorded in advance of the relevant turnover, these are included in deferred income. Turnover is exclusive of VAT and relevant sales taxes and after elimination of all intercompany transactions, and is net of returns, trade discounts and allowances.

Rental income from equipment hire is recognised on a straight line basis over the life of the lease. Interest receivable under finance leases is recognised in the profit and loss account in proportion to the capital amount outstanding.

Research and development and intangibles

All expenditure on research and development is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of the individual projects. Any such identifiable expenditure is capitalised as an intangible asset. Such assets are amortised over their estimated useful life up to a maximum of five years, subject to any provision for impairment. Amortisation of research and development is charged to operating expenses. No book value is attributable to patents. Development costs have been capitalised in accordance with FRS102 section 18 and are therefore not treated, for dividend purposes, as a realised loss.

Tangible Fixed Assets

Land and buildings are stated at revaluation. Other fixed assets are stated at cost less depreciation and provision for any impairment. Equipment on hire is leased to customers under finance 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

1. ACCOUNTING POLICIES (CONTINUED)

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"

The Group as a lessor

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

Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Investments

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

1. ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, 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 using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

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 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 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 charged to the profit and loss account relate to the current service costs of employees.

The cost 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 assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

FRS102.12.7 When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value, which is normally the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss).

FRS 102.12.8 At the end of each reporting period, an entity shall measure all financial instruments within the scope of Section 12 at fair value and recognise changes in the fair value in profit or loss.

FRS 102.12.9 If a reliable measure of fair value is no longer available for an equity instrument (or a contract linked to such an instrument) that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date the instrument was reliably measurable is treated as the cost of the instrument. The entity shall measure the instrument at this cost amount less impairment until a reliable measure of fair value becomes available.

FRS102.11.8 Kantone shall account for the following financial instruments as basic financial instruments in accordance with Section 11:

- (a) cash;
- (b) a debt instrument (such as an account, note, or loan receivable or payable) that meets the conditions in paragraph 11.9 and is not a financial instrument described in paragraph 11.6(b);
- (c) commitments to receive or make a loan to another entity that:
 - (i) cannot be settled net in cash; and
 - (ii) when the commitment is executed, are expected to meet the conditions in paragraph 11.9; and
- (d) an investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.

FRS102.11.21 At the end of each reporting period, Kantone shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, the company shall recognise an impairment loss in profit or loss immediately.

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets:

An asset is impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets:

For financial assets carried at amortised cost the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounts at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Pensions and other post-employment benefits

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about the discount rates, future salary increases, mortality rates and the future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for the 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. Future salary increases and the pension increases are based on expected future inflation rates. Further details are given in Note 19.

Inventory provisioning

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of the goods and future usage. See note 13 for the net carrying amount of the inventory and associated provision.

Impairment of debtors

The Group makes an assessment of the recoverability of trade and other debtors. When assessing impairment management considers factors including current credit ratings, the ageing profile of debtors and historical experience. It is the decision of management that no impairment or provision is necessary.

Provisions

The Group has not recognised provisions for post year-end credit notes and returns in respect of revenue, as based on historical evidence these are not material.

3. TURNOVER

	2018 £'000	2017 £'000
Analysis of turnover by destination:		
United Kingdom	7,592	8,588
North America	574	285
France and Germany	3,606	3,581
Other European countries	808	1,300
Rest of world	787	489
Total overseas	5,775	5,655
	<u>13,367</u>	<u>14,243</u>

The Group's turnover arises entirely from its principal activity of providing specialised radio communication systems for sale and lease.

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

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3. TURNOVER (CONTINUED)

	2018 £'000	2017 £'000
Finance lease sales	2,192	2,210
Income from equipment hire	1,003	1,017
	<u>3,195</u>	<u>3,227</u>

Assets acquired in the year for the purpose of sale under finance leases totalled £505,000 (2017: £515,000).

4. OTHER OPERATING EXPENSES

	2018 £'000	2017 £'000
Distribution costs	12	17
Administrative expenses	2,717	2,672
	<u>2,729</u>	<u>2,689</u>

5. OTHER OPERATING INCOME

A payment of £135,000 (2017: £115,000) was received from HMRC in connection to a credit for research and development expenses. Of the remaining amount in 2018, £26,000 relates to rental income from unused office space (2017: £27,000).

6. OPERATING PROFIT

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Research and development expenditure incurred in the year	686	747
Expenditure capitalised in relation to tangible fixed assets	(609)	(673)
	<u>77</u>	<u>74</u>
Research and development expenditure expensed in the year	77	74
Cost of Stock recognised as an expense	5,145	5,041
Depreciation:		
- owned equipment - other	234	221
- revaluation	8	10
Amortisation:	606	658
Operating leases:		
- plant and equipment	339	325
- land and buildings	134	131
(Gain)/Loss on foreign exchange	(12)	76
Gain on sale of fixed assets	-	-
Fees payable to the Group's auditor and their associates for the audit of Company's annual accounts	78	46
	<u>78</u>	<u>46</u>

The auditor's remuneration borne by the company was £59,000 (2017: £36,000). Included in this amount is auditor's remuneration paid on behalf of Kantone (UK) Limited of £5,000 (2017: £5,000). The value of non-audit fees for the year was £nil (2017: £nil).

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

7. STAFF COSTS

The remuneration of the directors of Kantone (UK) Limited was as follows:

	2018 £'000	2017 £'000
Directors' remuneration:		
Emoluments	841	725
Pension contributions	66	56
	<u>907</u>	<u>781</u>
Highest paid director:		
Emoluments	182	160
Pension contributions	10	10
	<u>192</u>	<u>170</u>

There were 2 directors (2017: 2) who served during the year and who are members of the defined benefit pension scheme.

The Group	2018 £'000	2017 £'000
Staff costs (including directors' emoluments):		
Wages and salaries	5,726	5,901
Social security costs	772	760
Other pension costs	224	22
	<u>6,722</u>	<u>6,683</u>
	No.	No.
The average number of persons employed monthly by the Group during the year was:		
Development and manufacture	51	49
Sales and service	81	83
Administration	40	40
	<u>172</u>	<u>172</u>
United Kingdom	105	103
Overseas	67	69
	<u>172</u>	<u>172</u>

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.

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2018

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
Interest payable on bank loans and overdrafts	15	15
Interest on Defined Benefit pension scheme liabilities (note 19)	-	188
Interest on overseas pension scheme liabilities	-	-
	<u>15</u>	<u>203</u>

9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	2018 £'000	2017 £'000
Corporation tax		
Current year	73	(41)
Prior Year Adjustment	-	-
Deferred tax:		
Deferred tax timing differences, origination and reversal	-	-
Total tax charge for the year	<u>73</u>	<u>(41)</u>

Factors affecting the tax charge for the current year

The tax assessed for the year is lower (2017: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £'000	2017 £'000
Standard tax rate for the year as a percentage of profits	19.00%	19.75%
Profit before tax	1,104	1,530
Tax charge at Standard rate	(209)	(302)
Expenses not allowable for tax purposes	(250)	(266)
Expenses allowed for tax purposes	391	389
Loss relieved	6	24
Movements in Short term Timing Differences	135	114
Group Tax charge for the period	<u>73</u>	<u>(41)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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 £nil (2017: £nil).

A deferred tax asset of £320,000 (2017: £320,000) 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 £1,200,000 (2017: £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 (2017: £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 (2017: £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 (2017: £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.

10. TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Equipment on hire £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 July 2017	1,948	5,783	10,286	18,017
Revaluations in the year	-	-	-	-
Translation adjustment	-	28	-	28
Disposals	-	(21)	(1,333)	(1,354)
Additions	-	1	95	96
At 30 June 2018	1,948	5,791	9,048	16,787
Accumulated depreciation				
At 1 July 2017	32	5,747	9,960	15,739
Revaluations in the year	-	-	-	-
Translation adjustment	-	-	-	-
Disposals	-	(16)	(1,333)	(1,349)
Charge for the year	41	34	136	212
At 30 June 2018	73	5,765	8,763	14,602
Net book value				
At 30 June 2018	1,876	26	280	2,182
At 30 June 2017	1,916	36	326	2,278

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2018

10. TANGIBLE FIXED ASSETS (CONTINUED)

The net book value of land and buildings comprises:

	Group	
	2018	2017
	£'000	£'000
Freehold land and buildings	1,775	1,816
Long leasehold land and buildings	101	101
	<u>1,876</u>	<u>1,917</u>

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	
	2017	2017
	£'000	£'000
Original cost	1,396	1,396
Less: accumulated depreciation	(322)	((268))
Net book value	<u>1,074</u>	<u>1,128</u>

11. INTANGIBLE FIXED ASSETS

Group	£'000
Cost	
At 1 July 2017	11,278
Additions	479
At 30 June 2018	<u>11,757</u>
Accumulated depreciation	
At 1 July 2017	9,715
Charge for the year	606
At 30 June 2018	<u>10,321</u>
Net book value	
At 30 June 2018	<u>1,436</u>
At 30 June 2017	<u>1,563</u>

Intangible assets 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 on a straight line basis over a period of 5 years which reflects the expected commercial life of the products in question.

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

12. INVESTMENTS

	Company	
	2018	2017
	£'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 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.

Sales	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.

13. STOCKS

	Group	
	2018	2017
	£'000	£'000
Raw materials, purchased components and spares	1,012	1,020
Work in progress	204	206
Finished goods	738	741
	<u>1,954</u>	<u>1,967</u>

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

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2018

14. DEBTORS

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due in less than one year:				
Trade debtors	1,991	1,645	-	-
Amounts owed by Group undertakings	2,296	2,296	100	100
Deferred tax asset	320	320	-	-
Other debtors	129	81	-	-
Prepayments and accrued income	150	156	-	-
	<u>4,886</u>	<u>4,498</u>	<u>100</u>	<u>100</u>
Amounts falling due after more than one year:				
Amounts receivable under finance leases	969	1,024	-	-
	<u>5,855</u>	<u>5,522</u>	<u>100</u>	<u>100</u>
Amounts receivable under finance leases				
Later than one year and not later than five years			937	990
Later than five years			32	34
			<u>969</u>	<u>1,024</u>

The aggregate rentals receivable under finance leases in the year was £2,192,000 (2017: £2,210,000).

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

Deferred taxation

The movement in deferred taxation is as follows:

	Group	
	2018	2017
	£'000	£'000
At 1 July 2017	320	320
At 30 June 2018	<u>320</u>	<u>320</u>

Analysis of deferred taxation:

	Group	
	2018	2017
	£'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) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 17)	-	360	-	-
Trade creditors	466	492	-	-
Amounts owed to group undertakings	22,206	22,220	19,722	19,722
Corporation tax	28	61	-	-
VAT and other sales taxes	365	375	-	-
Payroll taxes and social security	220	206	-	-
Other creditors	819	915	-	-
Accruals and deferred income	2,330	2,396	-	-
	<u>26,434</u>	<u>27,025</u>	<u>19,722</u>	<u>19,722</u>

The bank borrowings of Kantone (UK) Limited and its subsidiary companies are guaranteed by Champion Technology Holdings Limited, the ultimate holding company.

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

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

	Group	
	2018	2017
	£'000	£'000
Bank loans (note 17)	-	-
Amounts owed to Group undertakings	1,100	1,100
Overseas pensions	395	389
	<u>1,495</u>	<u>1,489</u>

17. BORROWINGS

	Group	
	2018	2017
	£'000	£'000
Bank loans and overdrafts	-	360
Amounts owed to Group undertakings	17,099	17,099
	<u>17,099</u>	<u>17,459</u>
Due within one year	17,099	17,099
Between one and two years	-	360
Between two and five years	-	-
	<u>17,099</u>	<u>17,459</u>

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

18. PROVISIONS FOR LIABILITIES

Warranty provision

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

	Group	
	2018	2017
	£'000	£'000
At 1 July	103	103
Translation adjustment	3	6
Provided in year	13	(3)
Utilised in year	-	-
	<hr/>	<hr/>
At 30 June	119	106
	<hr/>	<hr/>

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

19. 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 30 June 2018. 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 were:

Group

	2018	2017
	Value	Value
	£'000	£'000
Alternatives	4,421	2,207
Currency Hedge	(339)	68
Swaps Hedging the liabilities	(614)	(559)
Multi Asset Growth Fund	25,124	29,051
Fixed Interest Gilts	1,475	1,483
Indexed Linked Gilts	1,892	1,866
Property	1,609	802
Value of SLP	4,765	4,765
Value of Insured Members	323	319
Cash	650	578
	<hr/>	<hr/>
Total market value of assets	39,306	40,580
	<hr/>	<hr/>
Present value of scheme liabilities	(37,222)	(41,827)
	<hr/>	<hr/>
Surplus in scheme	2,084	(1,247)
	<hr/>	<hr/>

Assumptions as at 30 June 2018 for the expected rate of return of the scheme's assets are not required for periods beginning on or after 1 January 2017.

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2018

19. PENSION LIABILITY (CONTINUED)

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

	2018	2017	2016
Discount rate	2.75%	2.55%	3.00%
Rate of increase in salaries	3.25%	3.40%	3.10%
Rate of increase in pensions in payment: Pre 1997	0.00%	0.00%	0.00%
Post 1998 GMP	2.05%	2.15%	2.00%
Post 1997	3.15%	3.10%	2.95%
Inflation assumption	3.25%	3.30%	3.10%

The contribution rate for 2018 was 23.90% of pensionable earnings and the agreed contribution rates for the next 15 years is 23.90% of pensionable earnings.

Assumed life expectancies on retirement at age 65 are:

	2018	2017
Retiring Today – Males	22.10	22.10
Retiring Today – Females	23.60	23.90
Retiring in 20 years – Males	23.50	23.50
Retiring in 20 years – Females	25.40	25.40

	2018 £'000	2017 £'000
Reconciliation of movement in plan liabilities		
At the beginning of the year	41,827	39,782
Interest Cost	1,043	1,152
Actuarial Gains/Losses	(3,806)	3,679
Benefits Paid	(1,842)	(2,786)
Contributions by participants	-	-
Service Cost	-	-
At the end of the year	37,222	41,827

	2018 £'000	2017 £'000
Reconciliation of movement in plan assets		
At the beginning of the year	40,580	34,121
Interest Income	1,009	980
Return on plan assets	(243)	3,658
Benefits Paid	(1,842)	(2,786)
Contributions by employers	-	4,765
Contributions by participants	-	-
Service Cost	(198)	(158)
At the end of the year	39,306	40,580

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

19. PENSION LIABILITY (CONTINUED)

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

	2018 £'000	2017 £'000
Amounts included within operating profit:		
Current service cost	-	-
Interest on Defined benefit liabilities	-	158
Curtailments	-	-
	<u>-</u>	<u>158</u>
Amounts included within other comprehensive income:	<u>4,427</u>	<u>4,427</u>
Total Cost relating to the defined benefit scheme:	<u>4,585</u>	<u>4,585</u>

Defined Contribution Pension Scheme

During the year contributions of £nil were made by Multitone Electronics into the scheme (2017: £Nil).

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 £395,000 (2017: £389,000).

The asset backed contribution made by the company through the Multitone Scottish Limited Partnership has a clause requiring cash contributions up to £500,000 should the rental contract assignment pool fall below the required threshold. As this is deemed very improbable no provision has been made in the financial statements.

20. CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Called up, allotted and fully paid:		
5,500,000 (2014:5,500,000) ordinary shares of £1 each	<u>5,500</u>	<u>5,500</u>

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

21. OPERATING LEASE COMMITMENTS

At 30 June 2018 the Group and the company were committed to making the following minimum payments in respect of operating leases:

Group	2018 Land and buildings £'000	2018 Plant and equipment £'000	2017 Land and buildings £'000	2017 Plant and equipment £'000
Operating leases which expire:				
Within one year	135	264	62	213
In two to five years	-	165	-	276
	<u>135</u>	<u>429</u>	<u>62</u>	<u>489</u>

The rentals payable under the operating leases included above relating to certain office and light industrial premises are subject to re-negotiation at various intervals in the leases. In addition, there is a long lease expiring in 2072 at a current annual ground rental of approximately £1,000 (2017: £1,000).

22. FINANCIAL INSTRUMENTS

Group

	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost:		
Trade Debtors	1,991	1,645
	<u>1,991</u>	<u>1,645</u>
Financial liabilities measured at amortised cost:		
Trade Creditors	466	492
	<u>466</u>	<u>492</u>
Loan Commitments measured at cost less impairment:		
Bank loans	-	360
	<u>-</u>	<u>360</u>

23. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by FRS102 paragraph 1.12 not to disclose key management personnel compensation.

The Group and Company have taken advantage of the exemption provided by FRS102 paragraph 33.1A to not disclose transactions with other wholly-owned Group undertakings.

KANTONE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

24. ULTIMATE PARENT COMPANY AND 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 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.

The smallest Group in which they are consolidated is that headed by the immediate parent company Kantone (UK) Limited, a company incorporated in the United Kingdom. The consolidated financial statements for Kantone (UK) Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

25. GENERAL INFORMATION

Kantone (UK) Limited is private limited company incorporated in England and Wales, the company's principal place of business and registered office is Multitone House, Shortwood Copse Lane, Kempshott, Basingstoke, RG23 7NL

The financial Statements are presented in Sterling, which is also the functional currency.