



Company Registration No. 00256314 (England and Wales)

MULTITONE ELECTRONICS PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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MULTITONE ELECTRONICS PLC

COMPANY INFORMATION

Directors	Ka Lim Liu (Chairperson) Edward Paterson (Chief Executive Officer) Philip L Lawrence Ronald Wray So Ying Lam Ka Lai Lau Yin Fong Cecilia To Wai Chan Man Tat Li Winny Man Wong Mr Peter Lomax (Appointed 1 January 2021)
Secretary	Philip L Lawrence
Company number	00256314
Registered office	Multitone House Shortwood Copse Lane Kempshott Basingstoke RG23 7NL
Auditor	Moore Rutland House Minerva Business Park Lynch Wood Peterborough PE2 6PZ
Solicitors	Greenwoods GRM LLP Monkstone House City Road Peterborough PE1 1JY

MULTITONE ELECTRONICS PLC

CONTENTS

	Page
Strategic report	1 - 5
Directors' report	6 - 7
Independent auditor's report	8 - 10
Profit and loss account	11
Group statement of comprehensive income	12
Group balance sheet	13
Company balance sheet	14 - 15
Group statement of changes in equity	16
Company statement of changes in equity	17
Group statement of cash flows	18
Notes to the financial statements	19 - 40

MULTITONE ELECTRONICS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Multitone Electronics PLC 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

The principal activity of the group is the design, manufacture and supply of integrated wireless communication systems and solutions for sale and lease. The 2020/21 trading year has benefited from the stability it's contracts with the NHS, Fire Service and Life Boats in the United Kingdom. It has provided consistency during a very difficult environment created by the threat from Covid19 shutting down large parts of the economy in which the group operates, including hotels, hospitality and shopping centres. The group's activities in critical communications remained steady and while appetite for brand new systems were muted or delayed by the Covid19 crisis, the effects of the virus on the business was relatively small. We appreciated the help the Government supplied in supporting our staff where we were unable to deploy field personnel into areas that had become restricted to protect them.

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 is 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 which is under revision 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

Multitone's objectives are ones of sustainable growth within its current and new markets. Multitone will continue to invest in new product and market development, capitalising on its current position as a market leader in critical messaging. Multitone 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 it's products in the coming months.

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

Even though the trading profit for the year saw a healthy positive number, the company's defined benefit pension scheme still presents a challenge and therefore the directors cannot recommend the payment of a dividend (2020: £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 2021 are set out in the consolidated profit and loss account on page 11. Turnover for the year was £13,387,000 (2020: £15,065,000) an decrease of £1,678,000 or 11%, and the profit on ordinary activities before taxation was £1,262,000 (2020: profit of £2,221,000) a 43% decrease. The profit for the financial year to 30 June 2021 after taxation was £657,000 (2020: profit of £2,495,000), a decrease of 74%. There were a number of extraordinary costs impacting on the profitability in the year that are explained later in this report but amount to a net £1,478k one off in extra costs that were not a part of the trading operations of the group but directly affected the reported profit.

One of the group's key measures of effectiveness of its operations is calculating gross margin after direct cost of sales and distribution. The group achieved a margin after direct and distribution costs of 37.3% (2020: 33.3%).

MULTITONE ELECTRONICS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

The group's cash levels have increased by £310,000 from £9,473,000 at the 2020 year-end, to £9,783,000 at the end of the current financial year. Income is generated from the turnover of the business less expenditures made on its' operations, capital expenditure plus research and development costs. We have also benefited from a small grant of £24k to protect some of our employee's jobs under the Covid19 assistance given by the UK government which we are using to keep furloughed staff at full pay.

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, wifi, smart phones apps and infrastructure while recognising their weaknesses for the critical communication markets where Multitone 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, Multitone 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 Multitone'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 6, Female 5

(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, Multitone 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 Multitone'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) The Group upholds the highest standards of human rights.

(ii) The Group 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.

MULTITONE ELECTRONICS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

- (iii) The Group 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) The Group complies with all of the current statutory and regulatory requirements in relation to the environment.
- (v) The Group does not enter into any agreement with customers, suppliers, partners, dealerships or any other organisation that requires bribes, solicitation or extortion.
- (vi) The Group will always comply with the taxation law of the country it is operating in.
- (vii) The Group complies with the Modern Slavery Act 2015 and has included anti-slavery terms into its supply chain agreement

The position of the Group at the year end

The group has net assets of £14,903,000 (2020 £10,182,000), however excluding the company defined benefit pension scheme the company has a net worth of £10,685,000 (2020 £10,710,000).

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 Multitone was year-end 2019 and is scheduled to be completed every five years in line with FRS102. No formal valuation of the properties was carried out but a market survey indicated no impairment and the value was left as it is.

A number of extraordinary adjustments have been made to the income statement and balance sheet this year. The ultimate parent Champion Technology Holdings Limited has now changed status to "SME" small to medium enterprise after fulfilling the requirements for two years and that has meant that a tax credit for research and development in the prior year has been reclassified to corporation tax £108k and the credit to the profit and loss account reversed. The asset provision for deferred tax of £420k has been written off to the profit and loss account. An old debt of £823k with a group company relating to an independent dealership in Brazil, has been deemed as uncollectable and also written off. A loan with Kantone Holdings Ltd has partly been repaid during the year consisting of £250k capital and £250k interest. Other inter-group balances with companies outside of the Multitone Group but part of the Champion Group are confirmed at account balance level.

The group's own pension scheme continues to influence the balance sheet as the world's markets fluctuate. This saw the investment portfolios grow during the year and liabilities decrease because of the various strategies employed. Under FRS102, the gap between assets and liabilities of the scheme was eliminated to produce a small surplus which can be recognized to the extent that it is deemed to be recoverable by the company. It should be noted that a Pension Act s179 technical valuation gives a different result which means that without the supporting Scottish Limited Partnership asset-backed contribution there is still a gap that has to be addressed with the continuation of the Pension Regulator approved repayment plan.

The pension accounts have been prepared to FRS102. The Net Assets are £4,218,000 at the end of June 2021 compared to Net Liabilities of (£528,000) as it was at the end of June 2020. A positive movement of £4,746,000. The Board remain vigilant to the effects of market movements on the asset and liability position of the pension fund which can go up as well as down. Pension equalisation is expected to have some cost but it is too early to know what that might be with any certainty but the pension Trustees do not believe that this will be significant.

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 any deficit. 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 pension funds enjoy.

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 remain key to the future of the business with new products and innovations being rolled out on a regular basis each year.

MULTITONE ELECTRONICS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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.

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 Sterling, 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 over one hundred countries around the world. This geographical spread facilitates a reduced exposure to any particular region of the world where trading risks may occur.

The group's pension fund continues to place a financial demand for cash to plug the gap between assets and liabilities. Even though by FRS102 accounting this is in surplus, the s179 technical definition still requires a repayment plan to operate until such time as the SLP can be released from the pension plan.

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, Multitone 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 has been adopted by Multitone Electronics PLC. The group has a written policy statement that applies the Code to Multitone Electronics PLC 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.

MULTITONE ELECTRONICS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

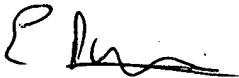
Ultimate Parent Company

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 59.04% of the Kantone Group which includes Multitone Electronics PLC. This means that Ms Winny Wong's total of 13.75% shares in Champion is diluted to 8.118% in the Kantone Group. The other 40.96% 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.

It has been announced that Champion Technology Holdings Limited intends to sell its 59.04% share in the Kantone group in the coming financial year. Kantone will remain a quoted company on the Hong Kong stock exchange. It is not expected to have any immediate impact on the Multitone group other than the purchaser of the shares, Innovative City Investments Limited, will now be regarded as having an ultimate controlling interest.

On behalf of the board



Edward Paterson (Chief Executive Officer)

Director

25.11.21

MULTITONE ELECTRONICS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the year ended 30 June 2021.

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.

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.

Directors

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

Ka Lim Liu (Chairperson)

Edward Paterson (Chief Executive Officer)

Philip L Lawrence

Ronald Wray

Terry John Miller

(Resigned 31 December 2020)

So Ying Lam

Ka Lai Lau

Yin Fong Cecilia To

Wai Chan

Man Tat Li

Winny Man Wong

Mr Peter Lomax

(Appointed 1 January 2021)

Auditor

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

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

MULTITONE ELECTRONICS PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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 group and 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.

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.

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.

On behalf of the board



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Edward Paterson (Chief Executive Officer)
Director

Date: 24/11/21

MULTITONE ELECTRONICS PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MULTITONE ELECTRONICS PLC

Opinion

We have audited the financial statements of Multitone Electronics Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 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 and notes to the financial statements, including 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

MULTITONE ELECTRONICS PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MULTITONE ELECTRONICS PLC

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 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 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.

MULTITONE ELECTRONICS PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MULTITONE ELECTRONICS PLC

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

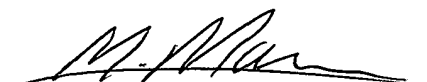
Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are [the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation]
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 (Senior Statutory Auditor)
For and on behalf of

Date: 15.12.21



Chartered Accountants
Statutory Auditor

Rutland House
Minerva Business Park
Lynch Wood
Peterborough
PE2 6PZ

MULTITONE ELECTRONICS PLC

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	13,387	15,064
Cost of sales		(5,992)	(7,269)
Gross profit		7,395	7,795
Distribution costs		(2,396)	(2,786)
Administrative expenses		(3,136)	(3,198)
Other operating income		234	352
Operating profit	4	2,097	2,163
Interest receivable and similar income	8	193	56
Interest payable and similar expenses	9	(267)	-
Other gains and losses	4	(761)	-
Profit before taxation		1,262	2,219
Tax on profit	10	(605)	275
Profit for the financial year		657	2,494

MULTITONE ELECTRONICS PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	2021 £'000	2020 £'000
Profit for the year	657	2,494
	<u> </u>	<u> </u>
Other comprehensive income		
Actuarial gain/(loss) on defined benefit pension schemes	4,003	(3,764)
Currency translation differences	7	(3)
	<u> </u>	<u> </u>
Other comprehensive income for the year	4,010	(3,767)
	<u> </u>	<u> </u>
Total comprehensive income for the year	4,667	(1,273)
	<u> </u>	<u> </u>

MULTITONE ELECTRONICS PLC

GROUP BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
Fixed assets					
Intangible assets	11		1,813		1,534
Tangible assets	12		2,226		2,227
			<u>4,039</u>		<u>3,761</u>
Current assets					
Stocks	14	1,743		1,742	
Debtors	15	3,218		4,455	
Cash at bank and in hand		9,783		9,473	
		<u>14,744</u>		<u>15,670</u>	
Creditors: amounts falling due within one year	16	(7,104)		(6,979)	
Net current assets			<u>7,640</u>		<u>8,691</u>
Total assets less current liabilities			<u>11,679</u>		<u>12,452</u>
Creditors: amounts falling due after more than one year	17		(895)		(1,613)
Provisions for liabilities	18		(99)		(129)
Net assets excluding pension surplus/(deficit)			<u>10,685</u>		<u>10,710</u>
Defined benefit pension surplus/(deficit)	20		4,218		(528)
Net assets			<u>14,903</u>		<u>10,182</u>
Capital and reserves					
Called up share capital	21		3,830		3,830
Share premium account			1,875		1,875
Revaluation reserve			260		278
Profit and loss reserves			8,938		4,199
Total equity			<u>14,903</u>		<u>10,182</u>

The financial statements were approved by the board of directors and authorised for issue on 22/11/21 and are signed on its behalf by:



Edward Paterson (Chief Executive Officer)
Director

MULTITONE ELECTRONICS PLC

COMPANY BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
Fixed assets					
Intangible assets	11		1,813		1,534
Tangible assets	12		270		230
Investments	13		102		102
			<u>2,185</u>		<u>1,866</u>
Current assets					
Stocks	14	909		967	
Debtors	15	5,489		5,179	
Cash at bank and in hand		8,686		8,365	
		<u>15,084</u>		<u>14,511</u>	
Creditors: amounts falling due within one year	16	(6,574)		(5,201)	
Net current assets			<u>8,510</u>		<u>9,310</u>
Total assets less current liabilities			<u>10,695</u>		<u>11,176</u>
Creditors: amounts falling due after more than one year	17		(500)		(1,100)
Provisions for liabilities					
Provisions	18	-	-	14	(14)
Net assets excluding pension surplus/(deficit)			<u>10,195</u>		<u>10,062</u>
Defined benefit pension surplus/(deficit)	20		4,218		(528)
Net assets			<u>14,413</u>		<u>9,534</u>
Capital and reserves					
Called up share capital	21		3,830		3,830
Share premium account			1,875		1,875
Profit and loss reserves			8,708		3,829
Total equity			<u>14,413</u>		<u>9,534</u>

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 £521k (2020 - £2,427k).

MULTITONE ELECTRONICS PLC

COMPANY BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2021

The financial statements were approved by the board of directors and authorised for issue on 25/11/21 and are signed on its behalf by:



Edward Paterson (Chief Executive Officer)
Director

Company Registration No. 00256314

MULTITONE ELECTRONICS PLC

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Share premium account	Revaluation reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2019	3,830	1,875	288	5,565	11,558
Year ended 30 June 2020:					
Profit for the year	-	-	-	2,495	2,495
Other comprehensive income:					
Actuarial gains on defined benefit plans	-	-	-	(3,764)	(3,764)
Currency translation differences	-	-	-	(3)	(3)
Total comprehensive income for the year	-	-	-	(1,272)	(1,272)
Transfers	-	-	(10)	(94)	(104)
Balance at 30 June 2020	3,830	1,875	278	4,199	10,182
Year ended 30 June 2021:					
Profit for the year	-	-	-	657	657
Other comprehensive income:					
Actuarial gains on defined benefit plans	-	-	-	4,003	4,003
Currency translation differences	-	-	-	7	7
Total comprehensive income for the year	-	-	-	4,667	4,667
Transfers	-	-	(18)	72	54
Balance at 30 June 2021	3,830	1,875	260	8,938	14,903

MULTITONE ELECTRONICS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 July 2019	3,830	1,875	5,280	10,985
Year ended 30 June 2020:				
Profit for the year	-	-	2,427	2,427
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(3,764)	(3,764)
Total comprehensive income for the year	-	-	(1,337)	(1,337)
Transfers	-	-	(114)	(114)
Balance at 30 June 2020	3,830	1,875	3,829	9,534
Year ended 30 June 2021:				
Profit for the year	-	-	521	521
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	3,968	3,968
Total comprehensive income for the year	-	-	4,489	4,489
Transfers	-	-	390	390
Balance at 30 June 2021	3,830	1,875	8,708	14,413

MULTITONE ELECTRONICS PLC

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	24		1,356		3,292
Interest paid			(267)		-
Income taxes refunded/(paid)			33		(28)
Net cash inflow from operating activities			1,122		3,264
Investing activities					
Purchase of intangible assets		(904)		(689)	
Purchase of tangible fixed assets		(130)		(98)	
Proceeds on disposal of tangible fixed assets		-		58	
Interest received		193		3	
Net cash used in investing activities			(841)		(726)
Net increase in cash and cash equivalents			281		2,538
Cash and cash equivalents at beginning of year			9,473		6,896
Effect of foreign exchange rates			29		39
Cash and cash equivalents at end of year			9,783		9,473

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

Multitone Electronics Plc ("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 Multitone Electronics Plc 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 £'000.

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 Business combinations

The group financial statements consolidate the financial statements of Multitone Electronics plc and all of its subsidiaries drawn up to 30 June each year. Multitone 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 Multitone Electronics plc, 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 £1,039,000 (2020: £2,428,000) which was attributable to the shareholders of Multitone Electronics plc.

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.

The Directors have considered the potential impact of the coronavirus, and the various measures taken to contain it, on the operations of the Group and Company. No immediate concerns in relation to the Group or Company's long term future have been identified but this area continues to be monitored. The Directors are satisfied that the steps they have taken in the short term are appropriate and effective.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

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; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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 company. 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 company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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 the lower of cost and replacement 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.

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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

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

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 in the period are included in profit or loss.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
United Kingdom	10,167	11,211
North America	37	138
France and Germany	2,818	3,169
Rest of world	365	546
	<u>13,387</u>	<u>15,064</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 2021 totalling £2,383,000 (2020: £2,197,000);
Income from equipment hire in the year ended 30 June 2021 totalling £1,061,000 (2020: £989,000).

4 Operating profit

	2021 £'000	2020 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	52	25
Research and development costs	(81)	160
Depreciation of owned tangible fixed assets	107	181
Amortisation of intangible assets	625	580
Operating lease charges	178	173
	<u></u>	<u></u>

During the year, a review of related party balances was performed by the ultimate controlling Group due to the sale of certain Group entities including this company and its subsidiaries. As a result of this review, £761,000 of related party balances are no longer repayable to this company and this amount has been written off during the year accordingly.

5 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	<u>45</u>	<u>45</u>

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

6 Employees

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

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Development and manufacture	52	51	29	21
Sales and service	70	80	48	57
Administration	37	38	21	28
Total	<u>159</u>	<u>169</u>	<u>98</u>	<u>106</u>

Their aggregate remuneration comprised:

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Wages and salaries	4,933	6,305	3,129	4,359
Social security costs	760	979	461	606
Pension costs	107	300	106	263
	<u>5,800</u>	<u>7,584</u>	<u>3,696</u>	<u>5,228</u>

7 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	560	1,090
Pension contributions	34	62
	<u>594</u>	<u>1,152</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2020 - 1).

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

	2021 £'000	2020 £'000
Remuneration for qualifying services	178	175
Pension contributions	2	2
	<u>180</u>	<u>177</u>

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

8 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	1	2
Other interest income	192	54
	<u> </u>	<u> </u>
Total income	193	56
	<u> </u>	<u> </u>

9 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	250	-
Other interest on financial liabilities	17	-
	<u> </u>	<u> </u>
	267	-
	<u> </u>	<u> </u>

10 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	46	(57)
Adjustments in respect of prior periods	115	(116)
	<u> </u>	<u> </u>
Total current tax	161	(173)
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	444	(2)
Adjustment in respect of prior periods	-	(100)
	<u> </u>	<u> </u>
Total deferred tax	444	(102)
	<u> </u>	<u> </u>
 Total tax charge/(credit)	 605	 (275)
	<u> </u>	<u> </u>

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

10 Taxation

(Continued)

The actual charge/(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:

	2021 £'000	2020 £'000
Profit before taxation	1,262	2,220
Expected tax charge based on the standard rate of corporation tax in the UK of 20.59% (2020: 19.00%)	260	422
Tax effect of expenses that are not deductible in determining taxable profit	146	15
Tax effect of income not taxable in determining taxable profit	8	-
Tax effect of utilisation of tax losses not previously recognised	-	(400)
Change in unrecognised deferred tax assets	(498)	-
Adjustments in respect of prior years	-	6
Permanent capital allowances in excess of depreciation	(54)	-
Research and development tax credit	(233)	(318)
Other permanent differences	608	-
Under/(over) provided in prior years	107	-
Amounts (charged)/credited directly to STRGL or otherwise transferred	261	-
Taxation charge/(credit)	605	(275)

A deferred tax asset to the sum of £977,000 (2020: £910,000) has not been recognised in respect of timing differences relating to trading losses and depreciation in excess of capital allowances as it is considered as unlikely that there will be suitable taxable profits available for the losses to be relieved and for the asset to be recovered. 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 £863,000 (2020: £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 liability to the sum of £795,000 (2020: asset £212,000) has not been recognised in respect of the defined benefit pension scheme asset

A deferred tax asset to the sum of £133,000 (2020: £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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

11 Intangible fixed assets

Group	Research and development intangibles £'000
Cost	
At 1 July 2020	12,980
Additions - separately acquired	904
At 30 June 2021	13,884
Amortisation and impairment	
At 1 July 2020	11,446
Amortisation charged for the year	625
At 30 June 2021	12,071
Carrying amount	
At 30 June 2021	1,813
At 30 June 2020	1,534

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.

Company	Research and development intangibles £'000
Cost	
At 1 July 2020	12,980
Additions - separately acquired	904
At 30 June 2021	13,884
Amortisation and impairment	
At 1 July 2020	11,446
Amortisation charged for the year	625
At 30 June 2021	12,071
Carrying amount	
At 30 June 2021	1,813
At 30 June 2020	1,534

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

12 Tangible fixed assets

Group	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2020	1,971	101	14,884	16,956
Additions	-	-	130	130
Disposals	-	-	(3)	(3)
Exchange adjustments	(10)	(15)	(19)	(44)
At 30 June 2021	1,961	86	14,992	17,039
Depreciation and impairment				
At 1 July 2020	91	-	14,638	14,729
Depreciation charged in the year	16	3	88	107
Eliminated in respect of disposals	-	-	(3)	(3)
Exchange adjustments	(7)	(1)	(12)	(20)
At 30 June 2021	100	2	14,711	14,813
Carrying amount				
At 30 June 2021	1,861	84	281	2,226
At 30 June 2020	1,880	101	246	2,227
Company				Plant and equipment £'000
Cost				
At 1 July 2020				9,796
Additions				98
At 30 June 2021				9,894
Depreciation and impairment				
At 1 July 2020				9,566
Depreciation charged in the year				58
At 30 June 2021				9,624
Carrying amount				
At 30 June 2021				270
At 30 June 2020				230

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.

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

13 Fixed asset investments

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Investments in subsidiaries		-	-	102	102

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

Sales

Multitone Elektronik International 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 subsidiaries £'000
Cost or valuation	
At 1 July 2020 and 30 June 2021	102
Carrying amount	
At 30 June 2021	102
At 30 June 2020	102

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

14 Stocks

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Raw materials and consumables	680	883	166	422
Work in progress	541	214	408	169
Finished goods and goods for resale	522	645	335	376
	<u>1,743</u>	<u>1,742</u>	<u>909</u>	<u>967</u>

15 Debtors

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts falling due within one year:				
Trade debtors	1,382	1,388	1,222	1,157
Corporation tax recoverable	30	484	-	438
Amounts owed by group undertakings	860	975	3,362	1,977
Other debtors	362	58	321	58
Prepayments and accrued income	191	193	191	193
	<u>2,825</u>	<u>3,098</u>	<u>5,096</u>	<u>3,823</u>
Deferred tax asset (note 19)	-	420	-	420
	<u>2,825</u>	<u>3,518</u>	<u>5,096</u>	<u>4,243</u>
Amounts falling due after more than one year:				
Amounts receivable under finance leases	<u>393</u>	<u>936</u>	<u>393</u>	<u>936</u>
Total debtors	<u>3,218</u>	<u>4,454</u>	<u>5,489</u>	<u>5,179</u>

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

16 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
Notes	£'000	£'000	£'000	£'000
Trade creditors	390	798	251	565
Amounts owed to group undertakings	2,383	1,210	2,407	76
Corporation tax payable	3	10	-	-
Other taxation and social security	472	828	472	828
Deferred income	2,709	2,477	2,329	2,076
Other creditors	1,147	1,656	1,115	1,656
	<u>7,104</u>	<u>6,979</u>	<u>6,574</u>	<u>5,201</u>

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

Included in Amounts owed to group undertakings are loans with Kantone Asia totaling £250k. Interest is charged on this balance at 5% per annum.

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

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	500	1,100	500	1,100
Other creditors	395	513	-	-
	<u>895</u>	<u>1,613</u>	<u>500</u>	<u>1,100</u>

Included in Amounts owed to group undertakings are loans with Kantone Asia totaling £500k. Interest is charged on this balance at 5% per annum. Loans are repayable in instalments and are due to be fully repaid by 30 June 2023.

18 Provisions for liabilities

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Warranty provision	<u>99</u>	<u>129</u>	<u>-</u>	<u>14</u>

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

18 Provisions for liabilities

(Continued)

Movements on provisions:

	Warranty provision £'000
Group	
At 1 July 2020	128
Reversal of provision	(14)
Utilisation of provision	(15)
	<hr/>
At 30 June 2021	99
	<hr/>
	Warranty provision £'000
Company	
At 1 July 2020	14
Reversal of provision	(14)
	<hr/>
At 30 June 2021	-
	<hr/>

19 Deferred taxation

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

	Assets 2021 £'000	Assets 2020 £'000
Group		
Accelerated capital allowances	-	320
Retirement benefit obligations	-	100
	<hr/>	<hr/>
	-	420
	<hr/>	<hr/>
	Assets 2021 £'000	Assets 2020 £'000
Company		
Accelerated capital allowances	-	320
Retirement benefit obligations	-	100
	<hr/>	<hr/>
	-	420
	<hr/>	<hr/>

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

19 Deferred taxation

(Continued)

	Group 2021 £'000	Company 2021 £'000
Movements in the year:		
Asset at 1 July 2020	(420)	(420)
Charge to profit or loss	420	420
Asset at 30 June 2021	-	-

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.

20 Retirement benefit schemes

	2021 £'000	2020 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	107	300

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.

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 2020. The valuation used the projected unit method and was carried out by a professionally qualified actuary.

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

	2021 %	2020 %
Key assumptions		
Discount rate	1.80	1.50
Expected rate of increase of pensions in payment	3.15	2.85
Expected rate of salary increases		
Pre 1997	2.85	2.45
Post 1998 GMP	0.00	0.00
Post 1997	2.35	2.20
Inflation assumption	3.25	2.90

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

20 Retirement benefit schemes

(Continued)

<i>Mortality assumptions</i>	2021	2020
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.3	22.0
- Females	23.9	23.6
Retiring in 20 years		
- Males	24.5	23.7
- Females	25.9	25.2
<i>Amounts taken to other comprehensive income</i>	2021	2020
	£'000	£'000
Other gains and losses	3,968	(3,096)

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

	Group	2020	Company	2020
	2021	£'000	2021	£'000
Present value of defined benefit obligations	40,961	43,923	40,961	43,923
Fair value of plan assets	(45,179)	(43,395)	(45,179)	(43,395)
Surplus in scheme	(4,218)	528	(4,218)	528

	Group	Company
	2021	2021
	£'000	£'000
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 July 2020	43,924	43,924
Benefits paid	(2,229)	(2,229)
Interest cost	642	642
Other	(1,376)	(1,376)
At 30 June 2021	40,961	40,961

	Group	Company
	2021	2021
	£'000	£'000
<i>The defined benefit obligations arise from plans funded as follows:</i>		
Wholly unfunded obligations	-	-
Wholly or partly funded obligations	40,961	40,961
	40,961	40,961

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

20 Retirement benefit schemes

(Continued)

	Group 2021 £'000	Company 2021 £'000
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 July 2020	43,395	43,395
Interest income	3,216	3,216
Benefits paid	(2,229)	(2,229)
Contributions by the employer	354	354
Other	443	443
At 30 June 2021	45,179	45,179

Fair value of plan assets at the reporting period end

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Alternatives	3,614	3,616	3,614	3,616
Currency hedge	(1)	(25)	(1)	(25)
Swaps hedging the liabilities	(2,235)	(277)	(2,235)	(277)
Multi asset growth fund	22,817	20,003	22,817	20,003
Fixed interest gilts	6,538	6,843	6,538	6,843
Index linked gilts	6,382	4,909	6,382	4,909
Property	1,537	1,532	1,537	1,532
Value of SLP	5,712	5,001	5,712	5,001
Cash	421	1,382	421	1,382
Insured pensions	394	411	394	411
	45,179	43,395	45,179	43,395

21 Share capital

	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary share capital Issued and fully paid				
Ordinary shares of 25p each	15,320,428	15,320,428	3,830	3,830

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

22 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Acquisition of tangible fixed assets	603,780	-	603,780	-

23 Controlling party

The ultimate parent and controlling company is Champion Technology Holdings Limited, a company incorporated in Bermuda. The largest group in which the results of Multitone Communication Systems Limited are consolidated is that headed by Champion Technology Holdings Limited. The smallest such group is that headed by the company's immediate parent company, Multitone Electronics Plc incorporated in England and Wales.

The consolidated financial statements of Champion Technology Holdings Limited are available to the public and may be obtained from Champion Technology Holdings Limited, Unit 3412, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The consolidated financial statements of Multitone Electronics Plc are publicly available and can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Since the year end, it has been announced that Champion Technology Holdings Limited intends to sell its 59.04% share in the Kantone group in the coming financial year. Kantone will remain a quoted company on the Hong Kong stock exchange. Innovative City Investments Limited, the purchaser of the shares, will be regarded as having an ultimate controlling interest.

24 Cash generated from group operations

	2021	2020
	£'000	£'000
Profit for the year after tax	657	2,495
Adjustments for:		
Taxation charged/(credited)	605	(275)
Finance costs	267	-
Investment income	(193)	(56)
Impairment of group balances	761	-
Amortisation and impairment of intangible assets	625	580
Depreciation and impairment of tangible fixed assets	107	181
Decrease in provisions	(30)	(7)
Movements in working capital:		
(Increase)/decrease in stocks	(1)	336
Decrease in debtors	362	523
Decrease in creditors	(1,804)	(485)
Cash generated from operations	1,356	3,292

MULTITONE ELECTRONICS PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

25 Analysis of changes in net funds - group

	1 July 2020	Cash flows	30 June 2021
	£'000	£'000	£'000
Cash at bank and in hand	9,473	310	9,783
	<u> </u>	<u> </u>	<u> </u>