
BINATONE TELECOM PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



BINATONE TELECOM PLC

COMPANY INFORMATION

Directors	D Lalvani N J Scanlon
Company secretary	T Brand
Registered number	02478485
Registered office	85 Frampton Street London NW8 8NQ
Independent auditors	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors 25 Moorgate London EC2R 6AY
Bankers	HSBC Level 37, 8 Canada Square Canary Wharf London E14 5HQ

BINATONE TELECOM PLC

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9 - 10
Statement of Changes in Equity	11 - 12
Notes to the Financial Statements	13 - 29

BINATONE TELECOM PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Introduction

The review of business and future developments, including key performance indicators and the principal risks and uncertainties is set out below.

Principal activity

The Company's principal activity is the importation, marketing and distribution of "Motorola" branded baby and home monitoring devices, type-approved "Binatone" branded customer business telecommunications, Global Positioning Systems (GPS) and other similar consumers products in the UK and Europe.

Business review

Turnover for the year ended 31 March 2019 was £21,582,659 (2018 restated: £31,430,329). Turnover has decreased year on year by 31.33%. As announced in last years audited accounts, our UK operation moved to local distribution model during September 2018.

The loss for the year pre-tax was £687,526 (2018 restated: £1,372,957), a decrease on the previous year following restructure of UK operation and improvement in sterling against the US Dollar.

The cash balance at the end of the year was £1,479,954 (2018 restated: £711,470).

Despite the move to a distribution model with third parties, Binatone will continue to innovate and operate with multiple product categories, with plans to continually introduce new technology within the product sectors we operate within.

Going concern

The Company's business activities and performance, together with expected future performance and position, are set out above. The principal risks and uncertainties facing the Company are also included in this report.

The directors of the Company have considered the forecast cash flows and working capital requirements for a period of at least twelve months from the date of signing these financial statements. The cash flow forecast indicates that the Company can continue to operate within the bank facilities that are available to it.

Appropriate enquiries have also been made of the directors of the ultimate parent undertaking in respect of group cash flow requirements insofar as they may impact on Binatone Telecom Plc including obtaining a letter of support confirming that the group will not seek repayment of intercompany liabilities for a period of at least 12 months from the date of signing these financial statements.

In respect of the cross guarantee that exists with the fellow subsidiary undertaking Binatone Electronic International Limited (see note 21) on bank borrowings which amounted to £19,172,699 at 31 March 2019, the directors are aware that at the wider group level there is a requirement for additional funding to fulfil its plans. The directors of the ultimate parent undertaking are confident this funding will be obtained and that therefore the Company will be able to operate as a going concern for a period of at least 12 months from the date of approval of these financial statements and it is on this basis that the financial statements have been prepared on a going concern basis. However, the directors recognise that obtaining this additional funding cannot be guaranteed, which may result in the cross guarantee and intercompany liabilities being called. This is considered to be a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

BINATONE TELECOM PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces together with an explanation of how they are managed or mitigated are as follows:

Liquidity and Cash flow

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Cash flow is monitored by the directors on a regular basis to ensure that peak working capital requirements are easily managed. Short term credit flexibility is achieved through invoice financing facilities.

Currency

The Company's operations expose it to a variety of financial risks that include exchange rate risk. The Company mitigates this risk by entering forward exchange contracts to buy and sell currency when the directors deem it appropriate to do so.

Credit risk

To manage credit risk, the Company continues to operate its policy that requires appropriate credit checks on potential customers prior to any sales being made. The amount of exposure to any individual customer which has a limit is reviewed regularly. The directors believe that customer relationships are strong and the expanded range of products provide diversification in the marketplace, in turn spreading the risk associated with its product range.

People

The Board recognises the importance of our people in the success of its operations. The risk of reliance on key individuals is minimised through the development of succession plans.

Key performance indicators

The most important KPIs used in monitoring the business are the movement in performance as set out on the face of the profit and loss account.

This report was approved by the board and signed on its behalf.



N J Scanlon
Director

Date: 20-01-2020

BINATONE TELECOM PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgements and accounting estimates that are reasonable and prudent;
- 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £761,778 (2018 as restated: loss £1,372,957).

The Company has not paid or proposed any dividends (2018: £Nil).

Directors

The directors who served during the year were:

D Lalvani
N J Scanlon

Future developments

The company is transforming its market-share driven Baby Monitor strategy to a higher margin-lower market share to boost its profitability. Even with this new initiative, the company expects to remain the market leader both in the UK and Europe with the help of its new product line up that is to be launched at the beginning of 2020.

For Bluetooth headsets and speakers, several key retailers won during the year means the related business will continue its healthy growth.

The revival of House brands; i.e., Binatone and IDect, will be another focus area where multiple product categories will be introduced with the help of retailer partners.

BINATONE TELECOM PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



N J Scanlon
Director

Date: 20.01.2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BINATONE TELECOM PLC

Opinion

We have audited the financial statements of Binatone Telecom Plc (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss 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.

Material uncertainty related to going concern

We draw attention to note 2.4 to the financial statements concerning the company's ability to continue as a going concern. As set out in note 2.4, there is a requirement for additional funding at the wider group level. There is no guarantee that further funding will be raised and there is therefore a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BINATONE TELECOM PLC (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BINATONE TELECOM PLC (CONTINUED)

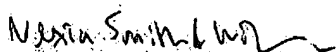
Auditor's responsibilities for the audit of the financial statements

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: 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.



Stephen Drew (Senior Statutory Auditor)

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

25 Moorgate
London
EC2R 6AY

Date:

22.01.2020

BINATONE TELECOM PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

		Continuing operations	Discontin'd operations	Total	<i>Continuing operations As restated</i>	<i>Discontinued operations As restated</i>	<i>Total As restated</i>
	Note	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Turnover	4	481,261	21,101,398	21,582,659	162,329	31,268,000	31,430,329
Cost of sales		(121,657)	(18,613,096)	(18,734,753)	(138,951)	(28,158,746)	(28,297,697)
Gross profit		359,604	2,488,302	2,847,906	23,378	3,109,254	3,132,632
Distribution costs		(3,942)	(513,247)	(517,189)	(8,921)	(855,015)	(863,936)
Administrative expenses		(841,499)	(1,978,804)	(2,820,303)	(870,470)	(2,499,221)	(3,369,691)
Operating loss	5	(485,837)	(3,749)	(489,586)	(856,013)	(244,982)	(1,100,995)
Interest payable and expenses	8	-	(197,940)	(197,940)	-	(271,962)	(271,962)
Loss before tax		(485,837)	(201,689)	(687,526)	(856,013)	(516,944)	(1,372,957)
Tax on loss	9	-	(74,252)	(74,252)	-	-	-
Loss for the financial year		(485,837)	(275,941)	(761,778)	(856,013)	(516,944)	(1,372,957)

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 13 to 29 form part of these financial statements.

BINATONE TELECOM PLC
REGISTERED NUMBER:02478485

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £	As restated 2018 £
Fixed assets			
Tangible assets	10	78,005	115,745
Investments	11	65	10,313
		<u>78,070</u>	<u>126,058</u>
Current assets			
Stocks	12	48,402	5,683,337
Debtors: amounts falling due within one year	13	5,993,803	9,358,902
Cash at bank and in hand	14	1,479,954	667,537
		<u>7,522,159</u>	<u>15,709,776</u>
Creditors: amounts falling due within one year	15	(3,774,604)	(11,237,902)
Net current assets		<u>3,747,555</u>	<u>4,471,874</u>
Total assets less current liabilities		<u>3,825,625</u>	<u>4,597,932</u>
Provisions for liabilities			
Deferred taxation	16	(9,208)	(19,737)
		<u>(9,208)</u>	<u>(19,737)</u>
Net assets		<u>3,816,417</u>	<u>4,578,195</u>
Capital and reserves			
Called up share capital	17	500,000	500,000
Profit and loss account	18	3,316,417	4,078,195
Shareholders' funds		<u>3,816,417</u>	<u>4,578,195</u>

BINATONE TELECOM PLC
REGISTERED NUMBER:02478485

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



N J Scanlon
Director

Date: 20.01.2020

The notes on pages 13 to 29 form part of these financial statements.

BINATONE TELECOM PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2018	500,000	4,078,195	4,578,195
Comprehensive income for the year			
Loss for the year	-	(761,778)	(761,778)
Total comprehensive income for the year	-	(761,778)	(761,778)
At 31 March 2019	500,000	3,316,417	3,816,417

BINATONE TELECOM PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2017 (as previously stated)	500,000	5,488,377	5,988,377
Prior year adjustment	-	(37,225)	(37,225)
At 1 April 2017 (as restated)	500,000	5,451,152	5,951,152
Comprehensive income for the year			
Loss for the year (as restated)	-	(1,372,957)	(1,372,957)
Total comprehensive income for the year	-	(1,372,957)	(1,372,957)
At 31 March 2018 (as restated)	500,000	4,078,195	4,578,195

BINATONE TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

Binatone Telecom Plc is a public company, limited by shares, domiciled and incorporated in England and Wales (registered number: 02478485). The address of the registered office is 85 Frampton Street, London, England, NW8 8NQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of future accounting standards not yet adopted
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

BINATONE TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.4 Going concern

The directors of the Company have considered the forecast cash flows and working capital requirements for a period of at least twelve months from the date of signing these financial statements. The cash flow forecast indicates that the Company can continue to operate within the bank facilities that are available to it.

Appropriate enquiries have also been made of the directors of the ultimate parent undertaking in respect of group cash flow requirements insofar as they may impact on Binatone Telecom Plc including obtaining a letter of support confirming that the group will not seek repayment of intercompany liabilities for a period of at least 12 months from the date of signing these financial statements.

In respect of the cross guarantee that exists with the fellow subsidiary undertaking Binatone Electronic International Limited (see note 21) on bank borrowings which amounted to £19,172,699 at 31 March 2019, the directors are aware that at the wider group level there is a requirement for additional funding to fulfil its plans. The directors of the ultimate parent undertaking are confident this funding will be obtained and that therefore the Company will be able to operate as a going concern for a period of at least 12 months from the date of approval of these financial statements and it is on this basis that the financial statements have been prepared on a going concern basis. However, the directors recognise that obtaining this additional funding cannot be guaranteed, which may result in the cross guarantee and intercompany liabilities being called. This is considered to be a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.5 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 01 April 2018.

IFRS 15

From 01 April 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 01 April 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.7 Revenue

Revenue is measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the customer is one year or less then no adjustment for a financing component has been made.

Sales of goods are recognised when goods are delivered and control has passed.

2.8 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- not depreciated
Plant, fixtures and equipment	- 25-33% reducing balance and 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Company do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

The directors do not feel that they have made any critical judgments in the year in the process of applying the Company's accounting policies, apart from those involving estimations (which are dealt with separately below).

Estimates and assumptions

(a) Financial guarantee contracts

The Company issues financial guarantees to certain banks on behalf of certain overseas companies, (the "guaranteed Company"), which are wholly owned by the ultimate parent company. The fair value and subsequent measurements of these financial instruments is subject to significant judgment. To assess the fair value, the group considers the likelihood that this guarantee will be called upon by the relevant bank by assessing the guaranteed Company's cash flow forecasts and debt obligations. If it is likely that the guaranteed Company will require additional funding to ensure that it meets its obligations to the bank which holds the financial guarantee then the amount of this cash shortfall at the year end is used as the instrument's fair value. In addition, the interest rate applied is also taken into consideration in determining the fair value of the financial guarantee.

(c) Useful lives of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the Company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount of property, plant and equipment by each class is included in note 10.

(d) Service provisions

The Company provides for the expected costs associated with product returns, being either repairing or replacing faulty product. Management apply judgement in estimating the total volume of product returns and using their knowledge and experience provide for the cost of the return. Such estimates are revised as the latest information is available to management and are continually reviewed to ensure they are appropriate.

(e) Inventory provisions

Stock is valued at the lower of cost and net realisable value. Management apply judgement in estimating the net realisable value for each product line, which includes assessing the lifecycle of the product, sell through data and price achieved and the amount of product already in the market. Estimates are revised as latest information is available.

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	8,134,752	17,238,369
Rest of the world	13,447,907	14,191,960
	<u>21,582,659</u>	<u>31,430,329</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	33,028	47,818
Loss on disposal of tangible fixed assets	23,137	1,577
Auditor's remuneration - audit fees	30,000	32,500
Exchange losses	101,070	112,994
Operating lease expenses	134,082	15,652
Cost of stocks recognised as an expense	16,308,066	24,106,369
	<u>16,579,283</u>	<u>24,817,310</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	1,107,912	1,813,427
Social security costs	144,326	211,179
Cost of defined contribution scheme	60,501	56,504
	<u>1,312,739</u>	<u>2,081,110</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
	<u>17</u>	<u>36</u>

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

7. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	247,710	282,763
Company contributions to defined contribution pension schemes	15,588	11,353
	263,298	294,116

During the year retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,359 (2018: £170,250).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,592 (2018: £6,986).

8. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	197,940	271,962
	197,940	271,962

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Taxation

	2019 £	2018 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	9,208	-
Adjustments in respect of previous periods	65,044	-
Total deferred tax	74,252	-
Taxation on profit on ordinary activities	74,252	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(687,526)	(1,372,957)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(130,630)	(260,862)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,561	57,651
Capital allowances for year in excess of depreciation	(2,854)	-
Adjustments to tax charge in respect of prior periods	65,002	-
Adjust deferred opening and closing tax rate to 19.00%	9,134	-
Deferred tax losses not recognised	86,849	202,291
Prior period adjustments	-	920
Transfer pricing adjustments	40,190	-
Total tax charge for the year	74,252	-

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2017.

10. Tangible fixed assets

	Motor vehicles £	Plant, fixtures and equipment £	Total £
Cost			
At 1 April 2018 (as previously stated)	7,416	558,792	566,208
Prior Year Adjustment	(916)	(326,603)	(327,519)
	<hr/>	<hr/>	<hr/>
At 1 April 2018 (as restated)	6,500	232,189	238,689
Additions	-	18,426	18,426
Disposals	-	(72,235)	(72,235)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	6,500	178,380	184,880
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2018 (as previously stated)	917	434,527	435,444
Prior Year Adjustment	(917)	(311,583)	(312,500)
	<hr/>	<hr/>	<hr/>
At 1 April 2018 (as restated)	-	122,944	122,944
Charge for the year	-	33,028	33,028
Disposals	-	(49,097)	(49,097)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	-	106,875	106,875
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2019	<hr/> <hr/> 6,500	<hr/> <hr/> 71,505	<hr/> <hr/> 78,005
At 31 March 2018 (as restated)	<hr/> <hr/> 6,500	<hr/> <hr/> 109,245	<hr/> <hr/> 115,745

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 April 2018 (as previously stated)	65
Prior Year Adjustment	10,248
	<hr/>
At 1 April 2018 (as restated)	10,313
Disposals	(10,248)
	<hr/>
At 31 March 2019	65
 Net book value	
At 31 March 2019	65
	<hr/>
At 31 March 2018 (as restated)	10,313
	<hr/>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding
Binatone North America Inc	Ordinary	100%

Binatone North America Inc is incorporated in the United States, its activity being the sale and distribution of type-approved licensed Motorola branded products.

The registered office address of Binatone North America Inc is 8720 Castle Creek Parkway, E Drive Suite 131, Indianapolis, IN 46250.

On 1 March 2019 the Company sold its investment in Binatone Communications Europe.

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

12. Stocks

	2019 £	2018 £
Goods in transit	-	568,404
Finished goods and goods for resale	48,402	5,114,933
	<u>48,402</u>	<u>5,683,337</u>

13. Debtors

	2019 £	<i>As restated</i> 2018 £
Trade debtors	1,959,712	4,907,625
Amounts owed by group undertakings	3,884,115	3,771,932
Other debtors	-	545,112
Prepayments and accrued income	42,406	101,333
Tax recoverable	107,570	32,900
	<u>5,993,803</u>	<u>9,358,902</u>

14. Cash and cash equivalents

	2019 £	<i>As restated</i> 2018 £
Cash at bank and in hand	1,479,954	667,537
	<u>1,479,954</u>	<u>667,537</u>

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

15. Creditors: Amounts falling due within one year

	2019 £	As restated 2018 £
Trade finance	1,772,650	3,609,305
Trade creditors	733,713	920,577
Amounts owed to group undertakings	25,702	3,147,724
Other taxation and social security	26,673	260,680
Proceeds of factored debts	-	1,853,221
Other creditors	4,180	459,214
Accruals and deferred income	1,211,686	987,181
	<u>3,774,604</u>	<u>11,237,902</u>

The Company had two invoice discounting facilities with HSBC. These facilities expired during the year.

The Company has an Import Line facility with HSBC. The balance of this facility at 31 March 2019 was a creditor amounting to £1,772,650 (2018: £3,609,305). The repayment terms of the Import Line facility is 90 days.

16. Deferred taxation

	2019 £	2018 £
At beginning of year	(19,737)	(19,737)
Charged to profit or loss	10,529	-
At end of year	<u>(9,208)</u>	<u>(19,737)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	(9,208)	(19,737)
	<u>(9,208)</u>	<u>(19,737)</u>

The Company had unutilised tax losses of £1,420,287 (2018: £1,064,692).

BINATONE TELECOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

17. Share capital

	2019 £	2018 £
Authorised		
10,000,000 Ordinary shares of £1.00 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
500,000 Ordinary shares of £1.00 each	<u>500,000</u>	<u>500,000</u>

18. Reserves

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

19. Discontinued operations

The UK and EU trading activities of the Company were discontinued with effect from 30 September 2018 and 1 March 2019 respectively. The results of these discontinued operations are shown on the face of the Statement of Comprehensive Income.

There was no profit/loss on disposal of the discontinued operations.

The results of the discontinued activities of the Company for the year ended 31 March 2018 have been re-presented, as required by IFRS 5, so that the disclosures relate to all operations that have been discontinued by 31 March 2019 for all periods presented.

BINATONE TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

20. Prior year adjustment

It was identified that in the year ended 31 March 2018 financial statements, the results for the year and the assets and liabilities of its subsidiary Binatone Communications Europe were included. Binatone Telecom Plc has taken the exemption not to consolidate as disclosed in note 2.3 and so these balances have been removed. The restatement has resulted in a credit to tangible fixed assets of £15,019, a debit to investments of £10,247, a credit to debtors due in less than one year of £53,273, a credit to cash and cash equivalents of £43,932, a debit to creditors due in less than one year of £59,911, a debit to reserves by £37,226 and a debit to administrative expenses by £4,840.

The year ended 31 March 2018 financial statements included amounts relating to sales returns and commissions income within cost of sales that have been accounted for in turnover. The restatement has resulted in a credit of £485,526 to cost of sales and a debit of £485,526 to turnover. Further, provisions for customer rebates, incentives and returns were included in trade debtors instead of accruals. The restatement has resulted in a debit of £1,109,778 to trade debtors and a credit of £1,109,778 to accruals and deferred income.

21. Contingent liabilities

The Company has a contingent liability in respect of bank borrowings of Binatone Electronic International Limited ('BEIL'), a fellow subsidiary as such borrowings are secured by an inter-company cross guarantee, which was contracted during the year. The contingent liabilities under this arrangement, being the aggregate of the bank borrowings of BEIL, at 31 March 2019 amounted to £19,172,699 (2018: £17,053,091).

The Company has a contingent liability in respect of a guarantee in favour of HMRC for the sum of £300,000 effective August 2013 (2018: £300,000).

There were no other contingent liabilities at 31 March 2019 or 31 March 2018.

22. Capital commitments

There were no capital commitments as at 31 March 2019 or 31 March 2018.

23. Pension commitments

The Company operates two defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £60,501 (2018: £56,504). Contributions totalling £4,256 (2018: £5,844) were payable to the fund at the reporting date and are included in creditors.

BINATONE TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

24. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	100,000	22,143
Later than 1 year and not later than 5 years	-	16,364
Later than 5 years	-	2,709
	<u>100,000</u>	<u>41,216</u>

25. Related party transactions

During the year all of the transactions which the Company entered into with fellow group undertakings were with wholly owned members of the group headed by Binatone Communications Group Limited.

At the end of the year, an interest-free amount of £Nil (2018: £545,112) was due from the director. An amount of £20,803 was transferred to Binatone Electronic International Limited, a company with common directorship.

At the year end, £70,261 (2018: £Nil) was outstanding from Hubble Connected HK, a company with common directorship. This relates to purchases from Binatone Electronic International Limited which were recharged to Hubble Connected HK during the year.

26. Post balance sheet events

There have been no significant events affecting the Company since the year end.

27. Controlling party

The immediate parent company of Binatone Telecom Plc, and the smallest group in which the results of the Company are consolidated, is Binatone Voxel Limited, incorporated in England and Wales, by virtue of its 100% ownership in the company's share capital. The consolidated accounts of this company are available to the public and may be obtained from Companies House.

The Company's ultimate parent company, and the largest group undertakings for which group accounts are drawn up is Binatone Communications Group Limited, a company registered in the British Virgin Islands, a company incorporated in the British Virgin Islands. The accounts of Binatone Communications Group Limited are not available to the public.