

Regulatory Announcement

Company Cantono PLC
TIDM CTNO
Headline Final Results
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CANTONO PLC

Results for the year ended 31 May 2007

Chairman's Statement

I joined the board of Cantono plc as an executive director on 9 March 2007 following the acquisition of CSF Managed Services plc in early January 2007, bringing with me over 25 years of senior management experience in the IT industry.

In the short time I have been with the Group your Board has already made significant changes as the Group redefines its business strategy and operations.

The Group has re-branded itself as Cantono plc and transformed into a managed services company offering outsourced services and products to a broad range of markets, moving away from software development and distribution. The re-branding has also given the opportunity for all the newly acquired entities, along with the Group's existing managed services operation, to unify and consolidate under a single name. As part of this consolidation process the Company's shareholding in its non-core activity, Panopticon Software AB, was sold to its principal founders in May 2007. As part of the disposal the Group negotiated a debt for equity swap and removed approximately £4.1m of long term debt.

Turnover for the 12 month period ending 31 May 2007 was £5,144,268 compared to £7,919,931 in the previous period to 31 May 2006. The operating loss in the period to 31 May 2007 was £6,830,931 compared to £6,343,764 in the previous 13 month trading period to 31 May 2006.

The reorganisation of the managed services businesses faced many challenges: commercial, logistical and operational as well as financial. To carry this through has placed great pressures on all our employees and I would like to take this opportunity to thank them for their flexibility, determination and support.

Change continues unabated in the market in which the Group operates and your Board continues to review its operations and to look for further improvements and opportunities. As part of this on-going process we were pleased to successfully complete a further round of fundraising in early August 2007. The Group raised approximately £10m, net of expenses, to provide additional working capital for the existing businesses along with new capital to broaden the Group's business activities into the data centre market. We were also pleased to report that this fundraising was supported not only by several of our existing, major shareholders, but also by a number of new, institutional shareholders, thereby broadening our shareholder base.

The data centre market is one I am familiar with having built a similar operation within my previous group. This is a very exciting market space which your Board believes has considerable opportunities for growth for the foreseeable future and one which your Board is committed to develop.

In summary, your Board has changed the direction of the Group and continues to seek every opportunity to improve its operational efficiency in the managed services business and exploit further opportunities as they arise.

Mike Northall

Chairman

29 November 2007

Consolidated Profit and Loss Account for the Year Ended 31 May 2007

	Note	Year ended 31 May 2007		7 February 2005 to 31 May 2006
		£		£
Turnover	2			
- continuing operations	3	2,505,847		7,919,931
- acquisitions	3	<u>2,638,421</u>		-
			5,144,268	<u>7,919,931</u>
Cost of sales			(1,571,739)	(3,477,627)
Gross profit			<u>3,572,529</u>	<u>4,442,304</u>
Administrative expenses <i>including exceptional items of £1,106,956</i> <i>(31 May 2006: £0)</i>			(10,403,460)	(10,786,068)
Operating loss:				
Excluding exceptional items			(5,723,975)	(6,343,764)
Exceptional costs	5		(1,106,956)	-
Operating loss	4			
- continuing operations	3	(5,061,272)		(6,343,764)
- acquisitions	3	<u>(1,769,659)</u>		-
			(6,830,931)	<u>(6,343,764)</u>
Loss on sale of subsidiary	5		(1,752,983)	-
Other interest receivable and similar income			6,674	8,780
Interest payable and similar charges	9		(346,365)	(677,248)
Loss on ordinary activities before taxation			<u>(8,923,605)</u>	<u>(7,012,232)</u>
Tax on loss on ordinary activities	10		(8,158)	(135,291)
Loss on ordinary activities after taxation			<u>(8,931,763)</u>	<u>(7,147,523)</u>
Minority interests				
Equity	23		<u>729,287</u>	<u>(346,301)</u>
Loss for the financial year	22		<u>(8,202,476)</u>	<u>(7,493,824)</u>
Basic and diluted loss per ordinary share	11	(28.28)p	(25.83)p	

Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 May 2007

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Net loss for the year	(8,202,476)	(7,493,824)
Foreign currency translation differences	(19,399)	12,791
Total losses for the year	<u>(8,221,875)</u>	<u>(7,481,033)</u>

Consolidated Balance Sheet as at 31 May 2007

		31 May 2007		31 May 2006	
	Note	£	£	£	£
Fixed assets					
Intangible assets	12		6,721,851		4,936,303
Tangible assets	13		1,302,522		302,468
			8,024,373		5,238,771
Current assets					
Stocks	15	7,214		-	
Debtors	16	950,056		1,861,286	
Cash at bank and in hand		109,243		456,256	
		1,066,513		2,317,542	
Creditors: Amounts falling due within one year	17	(6,363,746)		(8,298,988)	
Net current liabilities			(5,297,233)		(5,981,446)
Total assets less current liabilities			2,727,140		(742,675)
Creditors: Amounts falling due after more than one year	18		(61,063)		(468,106)
Net assets/(liabilities)			2,666,077		(1,210,781)
Capital and reserves					
Called up share capital	21		7,758,136		4,134,116
Share premium reserve	22		10,957,455		1,789,835
Profit and loss reserve	22		(16,049,514)		(7,827,639)
Equity shareholders' funds/(deficit)	24		2,666,077		(1,903,688)
Minority interests	23		-		692,907
Total funds/(deficit)			2,666,077		(1,210,781)

Consolidated Cash Flow Statement for the Year Ended 31 May 2007

		31 May 2007		31 May 2006	
		£	£	£	£
	Note				
Net cash flow from operating activities	27		(1,986,596)		(1,782,825)
Returns on investment and servicing of finance	28		(339,691)		(182,209)
Taxation	28		(8,158)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(190,103)		(274,369)	
Sale of tangible fixed assets		750,778		-	
			560,675		(274,369)
Acquisitions and disposals					
Acquisition of subsidiary undertaking		(441,705)		-	
Net cash acquired with subsidiary		(17,626)		(52,497)	
			(459,331)		(52,497)
Cash outflow before management of liquid resources and financing			(2,233,101)		(2,291,900)
Financing					
Increase in loans and borrowings		-		(194,782)	
Repayment of loans and borrowings		(126,411)		-	
Issue of equity shares net of costs		2,121,351		2,480,863	
Capital element of hire purchase payments		(14,452)		-	
			1,980,488		2,286,081
Net cash flow			(252,613)		(5,819)

Reconciliation of net cash flow to movement in net debt

		31 May 2007	31 May 2006
		£	£
	Note		
Decrease in cash in the year	29	(252,613)	(5,819)
Cash outflow from decrease in debt and lease financing		233,023	-
Cash inflow from increase in debt		-	(300,000)
Change in net debt resulting from cash flows		(19,590)	(305,819)
Loans and finance leases acquired with subsidiary		(404,816)	(3,937,733)
New finance leases		(82,524)	-
Conversion of debt to equity		4,112,733	-
Movement in net debt in the period		3,605,803	(4,243,552)
Net debt at the start of the year	29	(4,243,552)	-
Net debt at the end of the year	29	(637,749)	(4,243,552)

Notes to the Financial Statements for the Year Ended 31 May 2007

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 May 2007. The acquisitions method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. Its loss for the financial year was £11,326,065 (2006 - £582,939).

Going concern

These financial statements have been prepared on a going concern basis as the Directors consider there to be sufficient capital available to meet the Group's requirements for the foreseeable future.

Turnover

Turnover represents the amounts derived from the provision of goods and services to third party customers during the period and is exclusive of value added tax.

The Group has three main income streams: software sales and associated maintenance income, managed services and professional services.

Software sales of standard products are recognised when and to the extent that the Group has obtained the right to consideration through its performance. Revenue from support and maintenance is recognised on a straight-line basis over the period to which the maintenance agreement relates. Revenue from managed services is recognised on a straight-line basis over the period of the contract. Professional services income is recognised at the point of completion.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Plant and machinery	3 - 7 years straight line
Fixtures and fittings	3 - 5 years straight line

Goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life.

Investment

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

Research and development expenditure

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves.

Hire purchase and finance lease contracts

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets acquired under instalment finance agreements are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Operating leases

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

Pensions

The Group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Equity shares and capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in the periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more

likely than not there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Share based payments

The Group has adopted Financial Reporting Standard 20 'Share based payment' for the first time this year. No entries have been recorded in the accounts for the value of the options as the valuation is considered to be immaterial.

2 Turnover

13.1% of the Group's turnover related to exports (31 May 2006 - 38.7%).

An analysis of turnover by geographical market is given below:

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
UK	4,469,278	4,856,544
Europe	674,990	2,510,812
Rest of world	-	552,575
	<u>5,144,268</u>	<u>7,919,931</u>

Operating loss by origin

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
UK	(4,890,745)	(7,211,079)
Europe	(1,940,186)	867,315
Rest of world	-	-
Total	<u>(6,830,931)</u>	<u>(6,343,764)</u>

Net Assets/(Liabilities)

	31 May 2007	31 May 2006
	£	£
UK	2,723,103	(2,728,319)
Europe	(57,026)	1,517,538
Rest of world	-	-
Total	<u>2,666,077</u>	<u>(1,210,781)</u>

3 Analysis of cost of sales and net operating expenses

Continuing operations	Acquisitions	Total
£	£	£

Year ended 31 May 2007

Turnover	2,505,847	2,638,421	5,144,268
Cost of sales	(537,155)	(1,034,584)	(1,571,739)
Gross profit	<u>1,968,692</u>	<u>1,603,837</u>	<u>3,572,529</u>
Administrative expenses	(7,029,964)	(3,373,496)	(10,403,460)
Operating loss	<u>(5,061,272)</u>	<u>(1,769,659)</u>	<u>(6,830,931)</u>

Period ended 31 May 2006

Turnover	7,919,931	-	7,919,931
Cost of sales	(3,477,627)	-	(3,477,627)
Gross profit	<u>4,442,304</u>	<u>-</u>	<u>4,442,304</u>
Administrative expenses	(10,786,068)	-	(10,786,068)
Operating loss	<u>(6,343,764)</u>	<u>-</u>	<u>(6,343,764)</u>

4 Operating loss

Operating loss is stated after charging:

	Year ended 31 May 2007		7 February 2005 to 31 May 2006	
	£	£	£	£
Research and development expenditure		1,007,489		1,651,404
Hire of other assets (Operating leases)		248,329		258,419
Auditors' remuneration and amounts receivable by auditors and their associates in respect of:				
The audit of these financial statements	10,000		10,000	
The audit of subsidiaries' financial statements	65,000		55,000	
Tax services	18,735		10,000	
Review of interim statement	15,000		15,000	
		<u>108,735</u>		<u>90,000</u>
Foreign currency losses		14,193		3,987
Depreciation of owned tangible fixed assets		411,798		39,602
Amortisation and impairment of goodwill		1,124,190		2,189,284
Amortisation of development costs		154,965		53,590
		<u>1,709,145</u>		<u>2,376,463</u>

5 Exceptional items

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Reorganisation and restructuring costs	1,106,956	-
Exceptional loss on sale of subsidiary	<u>1,752,983</u>	<u>-</u>

The reorganisation costs relates to the restructuring and integration costs following the acquisitions of Blue River Systems Limited, NSA Solutions Limited, Vox Technology Limited and CSF Managed Services plc.

On 5 May 2007 the Group sold its 54% interest in Panopticon Software AB, via its holding in Hamsard Holdings Limited, to Edenmore Investments Limited, a company incorporated in Cyprus and controlled by Mr Giertz, the Vice President of Sales in Panopticon Software AB. The transfer of ownership was part of a debt repayment of a deep discounted loan of £2,427,753, and also involved the Company issuing 36,363,636 Ordinary shares of 1p at 5.5p. The accounts for the period ended 30 April 2007 show that Panopticon had lost £827,107, and its net liabilities excluding goodwill as at the 30 April 2007 were £609,899. The loss on disposal was made up as follows:

	£	£
Fixed assets	(279,078)	
Current assets	(657,326)	
Creditors	1,582,683	
Net liabilities	<hr/>	646,279
Minority interest		(36,380)
		<hr/>
		609,899
Goodwill balance outstanding at the date of sale		(2,790,635)
		<hr/>
Net loss on disposal		(1,752,983)
		<hr/>
		427,753
		<hr/>
Satisfied by		
Loan waiver		<hr/>
		427,753
		<hr/>

6 Particulars of employees

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	No.	No.
Technical	86	72
Sales and Marketing	6	17
Management and Administration	16	15
	<hr/>	<hr/>
	108	104
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Wages and salaries	3,679,415	4,518,263
Social security	518,277	668,931
Other pension costs	33,334	155,166
	<u>4,231,026</u>	<u>5,342,360</u>

7 Share based payments

The Company's share based payment scheme consists of various share option schemes designed to reward and motivate the Group's employees. The company has applied the provisions of Financial Reporting Standard 20 for the first time in the year ended 31 May 2007, calculations performed under the Black Scholes Merton valuation model show that there was no charge for last year, and this years charge was immaterial. Details of the movement for the year are disclosed below.

Options at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Options at end of the year	Exercise Price	Grant date	Date from when exercisable	Expiry date
1,637,557	-	-	(560,903)	1,076,654	31.39p	27 April 05	27 April 08	27 April 15
495,750	-	-	(471,750)	24,000	37.06p	27 April 05	27 April 08	27 April 15
<u>2,133,307</u>	<u>-</u>	<u>-</u>	<u>(1,032,653)</u>	<u>1,100,654</u>				

Following the capital reorganisation on 3 August 2007, as disclosed in Note 31, Post Balance Sheet Events, the option exercise prices of 31.39p and 37.06p become £6.28 and £7.41 respectively.

8 Directors' emoluments

The Directors' emoluments for the year are as follows:

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Directors' emoluments (including benefits in kind)	678,819	669,250
Pension contributions paid on behalf of former directors	21,667	56,667
Compensation for loss of office	159,000	-
	<u>859,486</u>	<u>725,917</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £270,479.

The preceding year's highest paid director relates to an ex-Director. His emoluments for the period ended 31 May 2006 were £229,272.

9 Interest payable and similar charges

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Bank interest payable	39,430	228,869
Loan interest	104,718	448,379
Other interest payable	200,238	-
Hire purchase interest	1,979	-
	<u>346,365</u>	<u>677,248</u>

10 Taxation

Analysis of current period tax charge

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Current tax		
UK corporation tax charge	8,158	2,778
Foreign corporation tax	-	132,513
Total current tax	<u>8,158</u>	<u>135,291</u>

Factors affecting current period tax charge

The tax assessed on the loss on ordinary activities for the year is higher than (7 February 2005 to 31 May 2006 - higher than) the standard rate of corporation tax in the UK of 30.0% (7 February 2005 to 31 May 2006 - 30.0%).

The differences are reconciled below:

	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£
Loss on ordinary activities before taxation	<u>(8,923,605)</u>	<u>(7,012,232)</u>
Standard rate corporation tax credit	(2,677,082)	(2,103,670)
Depreciation in excess of capital allowances	(241,615)	(668,504)
Loss on disposal of subsidiary	(510,857)	-
Tax losses carried forward	1,573,195	2,774,952
Foreign tax adjustments	-	132,513
Items not deductible for tax purposes	1,864,517	-
Total current tax charge for the year	<u>8,158</u>	<u>135,291</u>

Factors which may affect future tax charges

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been

enacted or substantively enacted by the balance sheet date. The Group has estimated tax losses of £21,753,509 available for carry forward against future trading profits. A deferred tax asset of £6,526,053 has not been recognised as its future recovery is uncertain or not currently anticipated.

11 Earnings per share

Following the capital reorganisation on 3 August 2007, details of which are disclosed in the post balance sheet Note 31, the loss per share for the year is based on the 29,005,666 ordinary shares of 20p each, the total number of shares in issue following the reorganisation on 3 August 2007. Last year's earning per share, for comparative purposes, is also restated on the basis of the capital reorganisation of 3 August 2007.

12 Intangible fixed assets

Group

	Goodwill £	Development £	Total £
Cost			
As at 1 June 2006	6,704,261	474,916	7,179,177
Additions	6,121,699	-	6,121,699
Disposals	(3,981,856)	(474,916)	(4,456,772)
As at 31 May 2007	<u>8,844,104</u>	<u>-</u>	<u>8,844,104</u>
Amortisation			
As at 1 June 2006	2,189,284	53,590	2,242,874
Eliminated on disposals	(1,191,221)	(208,555)	(1,399,776)
Charge for the year	1,124,190	154,965	1,279,155
As at 31 May 2007	<u>2,122,253</u>	<u>-</u>	<u>2,122,253</u>
Net book value			
As at 31 May 2007	<u>6,721,851</u>	<u>-</u>	<u>6,721,851</u>
As at 31 May 2006	<u>4,514,977</u>	<u>421,326</u>	<u>4,936,303</u>

The Group made three acquisitions during the year. Details of the acquisitions are shown in Note 20 to these financial statements.

The disposal made during the year relates to the sale of the holding in Panopticon Software AB, details of which are disclosed under the exceptional item Note 5.

13 Tangible fixed assets

Group

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost			
As at 1 June 2006	342,070	-	342,070

Additions	272,627	-	272,627
Acquisitions	1,873,346	29,374	1,902,720
Disposals	(791,771)	-	(791,771)
As at 31 May 2007	<u>1,696,272</u>	<u>29,374</u>	<u>1,725,646</u>

Depreciation

As at 1 June 2006	39,602	-	39,602
Eliminated on disposals	(28,276)	-	(28,276)
Charge for the year	405,331	6,467	411,798
As at 31 May 2007	<u>416,657</u>	<u>6,467</u>	<u>423,124</u>

Net book value

As at 31 May 2007	<u>1,279,615</u>	<u>22,907</u>	<u>1,302,522</u>
As at 31 May 2006	<u>302,468</u>	<u>-</u>	<u>302,468</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £71,062 (31 May 2006 - £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £11,462 (31 May 2006 - £nil).

The Company had no tangible fixed assets at the beginning or end of the year.

14 Investments held as fixed assets

Company

	Investments in subsidiaries £
Cost	
As at 1 June 2006	6,935,400
Additions	5,841,705
As at 31 May 2007	<u>12,777,105</u>
Provision	
Charge for the year	<u>6,935,400</u>
Net book value	
As at 31 May 2007	<u>5,841,705</u>
As at 31 May 2006	<u>6,935,400</u>

The Directors have written down the value of its investment in Hamsard Holdings Limited, following a review of the business, details of which are disclosed in the Directors report.

The Company made 3 acquisitions during the year, Blue River Systems Limited, NSA Solutions Limited and CSF Managed Services plc, details of which are included in Note 20 to these financial statements.

TWS Limited and Hamsard 2601 (Netherlands) BV are 100% owned subsidiary companies of Synartra Limited and the Group's interest in these companies is by virtue of Synartra Limited's shareholdings.

Integration Limited and iFuel Limited are 100% owned subsidiary companies of iRevolution Limited and the Group's interest in these companies is by virtue of iRevolution Limited's shareholdings.

Vox Technology Limited is 100% owned by NSA Solutions Limited and the Group's interest in this company is by way of NSA Solutions Limited's shareholdings.

At the balance sheet date, the Company holds 100% of the shares in Hamsard Holdings Limited and either directly or through investments held by Hamsard Holdings Limited the Company held more than 20% of the share capital of the following companies:

Subsidiary undertakings	Country of incorporation	Principal activity	Class	%
Blue River Systems Limited	England	Secure internet managed services	Ordinary	100
CSF Managed Services plc	England	Secure internet managed services	Ordinary	100
Hamsard 2601 (Netherlands) BV (2)	Netherlands	Marketing of group software products	Ordinary	100
Hamsard Holdings Limited	England	Distribution and marketing of software products	Ordinary	100
iFuel Limited (3)	England	Dormant	Ordinary	100
Integration Limited (3)	England	Dormant	Ordinary	100
iRevolution Limited (1)	England	Secure internet managed services	Ordinary	100
Mainmark Limited	England	Dormant	Ordinary	100
NSA Solutions Limited	England	Secure internet managed services	Ordinary	100
Cantono Group Limited (formerly Sam-Soft Limited) (1)	England	Dormant	Ordinary	100
Symbiotic Information Services Limited (1)	England	Software development services	Ordinary	100
Symbiotic-IS Limited (1)	England	Dormant	Ordinary	100
Synartra Limited (1)	England	Development and marketing of software security products	Ordinary	100
The Hamsard Group Inc (1)	USA	Dormant	Ordinary	100
TWS Limited (2)	Cyprus	Dormant	Ordinary	100
Vox Technology Limited (4)	England	Secure internet managed services	Ordinary	100

1) Company held indirectly via Hamsard Holdings Limited.

2) Company held indirectly via Synartra Limited.

3) Company held indirectly via iRevolution Limited.

4) Company held indirectly via NSA Solutions Limited.

On the 1 June 2007, Hamsard Holdings Limited transferred the ownership of iRevolution Limited to Cantono plc.

15 Stocks and work in progress

	Group		Company	
	Year ended 31 May 2007	7 February 2005 to 31 May 2006	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£	£	£
Stocks	7,214	-	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

16 Debtors

	Group		Company	
	Year ended 31 May 2007	7 February 2005 to 31 May 2006	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£	£	£
Trade debtors	718,448	887,220	-	-
Amounts owed by group undertakings	-	-	1,729,222	2,386,045
Other debtors	43,929	58,180	16,552	302,553
Prepayments and accrued income	187,679	915,886	-	15,601
	<u>950,056</u>	<u>1,861,286</u>	<u>1,745,774</u>	<u>2,704,199</u>

Included within trade debtors is £119,311 secured by a factoring agreement with Royal Bank of Scotland Invoice Finance Limited. The total amount advanced against this at 31 May 2007 was £95,449. In August 2007, following a change in bankers, the factoring arrangement was terminated.

17 Creditors: Amounts falling due within one year

	Group		Company	
	Year ended 31 May 2007	7 February 2005 to 31 May 2006	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£	£	£
Bank loans and overdrafts	435,373	462,075	17,875	-
Other loans	215,449	4,083,623	-	4,083,623
Obligations under finance leases and hire purchase contracts	35,107	-	-	-
Trade creditors	1,803,835	1,018,829	268,269	111,422
Social security and other taxes	860,150	668,683	-	-
Other creditors	68,430	944,579	36,024	-
Accruals and deferred income	2,945,402	1,121,199	458,724	241,547
	<u>6,363,746</u>	<u>8,298,988</u>	<u>780,892</u>	<u>4,436,592</u>

The bank overdraft was part of an unsecured facility with National Westminster Bank plc at the year end at an interest rate of base plus 3%. In August 2007, the Company changed its principal bankers to Barclays Bank plc.

Included in other loans is an advance of £95,449 from Royal Bank of Scotland Invoice Finance Limited relating to a subsidiary undertaking's factoring arrangement over its trade debtors amounting to £119,311. The advance following a change of bankers, has been repaid.

Included on other loans outstanding at 31 May 2006 was £3,783,623 of deep discount bonds owed to Brunswick Investment Holdings Limited and £150,000 each owed to Ex-directors James Metcalf and Michael Sharples. Details of the repayment of these liabilities are disclosed in Note 31.

On 29 April 2005 the Company issued to Brunswick Investment Holdings Limited deep discount bonds to the value of £4,191,198 with an aggregate discount of £701,839. The bonds were unsecured and to be redeemed over a period commencing May 2006 to June 2007 in variable instalments. In the event of default all the deeply discounted bonds became immediately repayable. On 24 July 2006 Brunswick Investment Holdings Limited agreed to defer the repayment, interest free, of £4,191,198 aggregate nominal value deep discount bonds owed to it until January 2008. Details of how these liabilities were satisfied are disclosed in Note 21.

Other creditors at 31 May 2006 includes two loans, totalling £300,000 outstanding of £150,000 each, made by James Metcalf and Michael Sharples. The loans accrued interest at a rate of 6% per annum and are repayable in full on or before 31st July 2006. £125,000 plus accrued interest was repaid in cash during the year and £175,000 in ordinary shares, full details of which are disclosed in Note 21.

18 Creditors: Amounts falling due after more than one year

	Group		Company	
	Year ended 31 May 2007	7 February 2005 to 31 May 2006	Year ended 31 May 2007	7 February 2005 to 31 May 2006
	£	£	£	£
Obligations under finance leases and hire purchase contracts	61,063	-	-	-
Other creditors	-	313,996	-	-
Other loans due between one and two yrs	-	154,110	-	154,110
	<u>61,063</u>	<u>468,106</u>	<u>-</u>	<u>154,110</u>

19 Maturation of borrowings

The Group's funding policy aims to ensure the availability of an appropriate amount of funding to meet current and future requirements. It does this through a mixture of equity, cash and debt facilities. The Group's borrowings are now based on floating rates, being interest set at a margin over the relevant base rate.

Group

Amounts repayable:

	Bank loans & overdrafts £	Other Loans £	Obligations under finance leases and HP contracts £	Total £
As at 31 May 2007				
In one year or less on demand	435,373	215,449	35,107	685,929
Between one and two years	-	-	61,063	61,063
	<u>435,373</u>	<u>215,449</u>	<u>96,170</u>	<u>746,992</u>
As at 31 May 2006				
In one year or less on demand	462,075	4,083,623	-	4,545,698
Between one and two years	-	154,110	-	154,110
	<u>462,075</u>	<u>4,237,733</u>	<u>-</u>	<u>4,699,808</u>

Company

Amounts repayable:

	Bank loans & overdrafts £	Other Loans £	Total £
--	--	--------------------------	--------------------

As at 31 May 2007

In one year or less on demand	17,875	-	17,875
	<u>17,875</u>	<u>-</u>	<u>17,875</u>

As at 31 May 2006

In one year or less on demand	-	4,083,623	4,083,623
Between one and two years	-	154,110	154,110
	<u>-</u>	<u>4,237,733</u>	<u>4,237,733</u>

20 Acquisitions

On 20 November 2006 the Company acquired the whole of the share capital of Blue River Systems Limited. Its accounts for the year ended 31 March 2006 show a profit before tax of £33,849. The management accounts for the eight months ended 30 November 2006 show a loss of £110,600. The fair value adjustments relate to a mark down in tangible assets and a review of the recoverability of debtors.

	Book Value	Fair Value Adjustments	Total
	£	£	£
Tangible Fixed Assets	168,540	(87,449)	81,091
Debtors	276,496	(86,709)	189,787
Cash	(2,691)	-	(2,691)
Creditors	(404,058)	-	(404,058)
Loans	(20,378)	-	(20,378)
Net Assets/(Liabilities)	<u>17,909</u>	<u>(174,158)</u>	<u>(156,249)</u>
Goodwill			1,892,483
			<u>1,736,234</u>
			<u>1,736,234</u>
Purchase consideration			£
Shares allotted			1,500,000
Cash			220,000
Acquisition costs			16,234
			<u>1,736,234</u>
			<u>1,736,234</u>

On 20 November 2006 the Company acquired the whole of the share capital of NSA Solutions Limited and its subsidiary, Vox Technology Limited. The accounts for the year ended 30 September 2006 show a loss before tax of £130,067 and £7,790 for NSA Solutions Limited and Vox Technology Limited respectively. The management

accounts for the two months ended 30 November 2006 show a loss of £19,173 and £16,998 for NSA Solutions Limited and Vox Technology Limited respectively. The fair value adjustments relate to a mark down in tangible assets and a review of the recoverability of debtors.

	Book Value	Fair Value	Total
	£	Adjustments	£
		£	
Tangible Fixed Assets	48,542	(17,739)	30,803
Debtors	252,035	(184,065)	67,970
Cash	(73,578)	-	(73,578)
Creditors	(264,758)	-	(264,758)
Finance leases	(28,098)	-	(28,098)
Loans	(168,730)	-	(168,730)
Net Liabilities	(234,587)	(201,804)	(436,391)
Goodwill			1,052,640
			<hr/> 616,249 <hr/> <hr/>
Purchase consideration			£
Shares allotted			600,000
Acquisition costs			16,249
			<hr/> 616,249 <hr/> <hr/>

On 4 January 2007 the Company acquired the whole of the share capital of CSF Managed Services plc. Its audited accounts for the year ended 31 December 2006 show a loss before tax of £3,642,602 and a net liability of £8,763,427. The fair value adjustments relate to a mark down in tangible assets, stock and a review of the recoverability of debtors. As part of the sale agreement Computer Solutions and Finance Group plc, its ultimate holding company at the date of sale, agreed that an inter-company loan would be written back to £750,000 prior to acquisition, which resulted in the Net Assets on 4 January 2007 being £1,179,766.

	Book value	Fair Value	Total
	£	Adjustments	£
		£	
Tangible Fixed Assets	2,522,971	(732,145)	1,790,826
Stock	106,642	(100,000)	6,642
Debtors	451,657	(34,975)	416,682
Cash	58,643	-	58,643
Creditors	(1,960,147)	-	(1,960,147)
Net Assets/(Liabilities)	1,179,766	(867,120)	312,646
Goodwill			3,176,576
			<hr/> 3,489,222 <hr/> <hr/>

Purchase consideration	£
Shares allotted	3,300,000
Acquisition costs	189,222
	<u>3,489,222</u>

21 Share capital

Authorised

	31 May 2007 £	31 May 2006 £
Equity		
100,000,000 Ordinary shares of 10p each	-	10,000,000
850,000,000 Ordinary shares of 1p each	8,500,000	-
100,000,000 Ordinary deferred shares of 9p each	9,000,000	-
Total	<u>17,500,000</u>	<u>10,000,000</u>

Allotted, called up and fully paid Issued share capital	31 May 2007 £	31 May 2006 £	31 May 2007 Number of Shares	31 May 2006 Number of Shares
Ordinary shares of 10p each	-	4,134,116	-	41,341,160
Ordinary shares of 1p each	3,677,432	-	367,743,173	-
Ordinary deferred shares of 9p each	4,080,704	-	45,341,160	-
Total	<u>7,758,136</u>	<u>4,134,116</u>	<u>424,976,585</u>	<u>41,341,160</u>

Share capital during the year

	New Ordinary 9p deferred shares £	New Ordinary 1p shares £	Ordinary 10p shares £	Total £
Shares in issue as at 1 June 2006	-	-	4,134,116	4,134,116
Shares issued on 5 July 2006	-	-	400,000	400,000
Share conversion on 16 November 2006	4,080,704	453,412	(4,534,116)	-
Shares issued on 20 November 2006	-	420,000	-	420,000
Shares issued on 22 November 2006	-	1,522,602	-	1,522,602
Shares issued on 4 January 2007	-	660,000	-	660,000
Shares issued on 3 April 2007	-	12,728	-	12,728
Shares issued on 30 May 2007	-	608,690	-	608,690
Shares issued as at 31 May 2007	<u>4,080,704</u>	<u>3,677,432</u>	<u>-</u>	<u>7,758,136</u>

On 5 July 2006 the Company raised £300,000 of additional capital via the placing of 3,000,000 10p Ordinary shares at 10p per share. In addition, £50,000 of the ex-Directors loans owed to each of Michael Sharples and James Metcalf

were converted into a total of 1,000,000 ordinary shares at the placing price of 10p.

On 16 November 2006 the Company converted each 10p ordinary share into one new Ordinary share of 1p and one non-voting deferred share of 9p.

On 20 November 2006 the Company completed the acquisitions of Blue River Systems Limited and NSA Solutions Limited. Blue River Systems Limited was acquired for a consideration of £1,720,000 satisfied by a payment of £220,000 in cash on completion and by the issue of 30,000,000 new Ordinary shares of 1p at a price of 5p. NSA Solutions Limited was acquired for a consideration of £600,000 satisfied by the issue of 12,000,000 new Ordinary shares of 1p at a price of 5p.

On 22 November 2006, the Company successfully completed the placing of 81,880,000 new Ordinary shares of 1p at a price of 2.5p per share raising £2,047,000 before expenses, for working capital purposes. In addition, Brunswick Investment Holdings Limited converted a £1,500,000 loan together with other liabilities of £129,340 to 65,173,600 new ordinary shares of 1p at the placing price of 2.5p. Ex-Directors Michael Sharples and James Metcalf each converted a further £37,500 of their loans outstanding to 1,500,000 new Ordinary shares of 1p each at the placing price of 2.5p. W H Ireland converted £55,164 of fees outstanding to 2,206,550 Ordinary shares of 1p at the placing price of 2.5p.

On 4 January 2007 the Company acquired CSF Managed Services plc for a consideration of £3,300,000 satisfied by the issue of 66,000,000 new Ordinary shares of 1p at a price of 5p.

On 3 April 2007 1,272,727 Ordinary 1p shares were issued at 4.95p to Appel M and A International in lieu of fees in connection with the acquisition of CSF Managed Services plc.

On 30 May 2007 the Company issued 24,505,400 Ordinary shares of 1p at a placing price of 5.5p in order to repay a deep discounted bond of £1,509,995 that was owed to Brunswick Investment Holdings Limited . Also on 30 May 2007 36,363,636 Ordinary shares were issued at 5.5p to Edenmore Investments Limited as part of the sale of Panopticon and the repayment of deep discounted bonds owed to Brunswick Investments Holdings Limited. Details of the sale are disclosed in Note 5.

On 3 August 2007 the Company consolidated the share capital by converting every 20 issued and un-issued Ordinary shares into 1 New Ordinary 20p share. In order to deal with fractional entitlements, £2.47 of the sum standing to the credit of the Company's share premium was capitalised.

On 7 August 2007 the Company issued 10,618,500 New Ordinary 20p shares at a placing price of £1.00 per share. The net proceeds of approximately £10,000,000 were to be used for additional working capital and to allow the Company to make capital investments into its new business strategy, details of which are disclosed in the Directors' Report

Following the allotments on 7 August 2007, the current authorised share capital is £17,500,000 divided into 42,500,000 ordinary shares of 20p each of which 29,005,666 ordinary 20p shares are in issue and 100,000,000 deferred shares of 9p of which 45,341,160 deferred shares of 9p are in issue.

Holders of ordinary shares are entitled to attend and vote at general meetings and, on a poll, each holder will have one vote per share. Ordinary shares rank pari passu with each other in respect of dividends and on a return of capital or a winding up.

Holders of deferred shares are not entitled to receive notice of or attend or vote at any general meeting. They are not entitled to receive any dividend or other distribution, nor receive any part of the assets of the Company on a return of capital or a winding up. They are not entitled to receive a share certificate. At the forthcoming Annual General Meeting, a resolution will be proposed to amend the rights attaching to the deferred shares so that they are no longer classed as redeemable.

22 Reserves

Group

	Share premium reserve	Profit and loss reserve
	£	£
Balance at 1 June 2006	1,789,835	(7,827,639)

Premium on issue of shares	9,167,620	-
Transfer from profit and loss account for the year	-	(8,202,476)
Foreign currency translation differences	-	(19,399)
Balance at 31 May 2007	<u>10,957,455</u>	<u>(16,049,514)</u>

Company

	Share premium reserve £	Profit and loss reserve £
Balance at 1 June 2006	1,789,835	(582,939)
Premium on issue of shares	9,167,620	-
Transfer from profit and loss account for the year	-	(11,326,065)
Balance at 31 May 2007	<u>10,957,455</u>	<u>(11,909,004)</u>

23 Minority interests

	31 May 2007 £	31 May 2006 £
Opening balance	692,907	-
Retained (share of loss)/profit for the year	(729,287)	346,301
Capital contribution to minority interest	-	346,606
Disposal of subsidiary undertaking	36,380	-
Closing balance	<u>-</u>	<u>692,907</u>
Equity	<u>-</u>	<u>692,907</u>
	<u>-</u>	<u>692,907</u>

Details of the minority interest share on disposal of subsidiary undertaking are shown under the exceptional item Note 5.

24 Reconciliation of movements in shareholders' funds

	Group		Company	
	31 May 2007 £	31 May 2006 £	31 May 2007 £	31 May 2006 £
Loss attributable to members of the Group / Company	(8,202,476)	(7,493,824)	(11,326,065)	(582,939)
Other recognised losses for the period	(19,399)	(333,815)	-	-
New share capital subscribed	12,791,640	5,923,951	12,791,640	5,923,951
Net addition/(reduction) to shareholders' funds	<u>4,569,765</u>	<u>(1,903,688)</u>	<u>1,465,575</u>	<u>5,341,012</u>
Opening equity shareholders' funds	(1,903,688)	-	5,341,012	-
Closing equity shareholders' funds	<u>2,666,077</u>	<u>(1,903,688)</u>	<u>6,806,587</u>	<u>5,341,012</u>

25 Operating lease commitments

Group

As at 31 May 2007 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings	
	31 May 2007	31 May 2006
	£	£
Within two and five years	<u>80,000</u>	<u>80,000</u>

26 Pension schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £11,667 (31 May 2006 - £98,499).

Contributions totalling £2,316 (31 May 2006 - £nil) were payable to the scheme at the end of the period and are included in creditors.

27 Reconciliation of operating loss to operating cash flows

	31 May 2007	31 May 2006
	£	£
Operating loss	(6,830,931)	(6,343,764)
Depreciation, amortisation and impairment charges	1,690,953	2,282,476
Increase in stocks	(572)	-
Decrease in debtors	928,344	1,368,537
Increase in creditors	2,269,644	1,198,026
Capitalised costs	(44,034)	(288,100)
Net cash outflow from operating activities	<u>(1,986,596)</u>	<u>(1,782,825)</u>

28 Analysis of cash flows

	31 May 2007	31 May 2006
	£	£
Returns on investment and servicing of finance		
HP interest paid	(1,979)	-
Other interest paid	(344,386)	(190,989)
Interest received	6,674	8,780
	<u>(339,691)</u>	<u>(182,209)</u>
Taxation		
Taxation paid	(8,158)	-

29 Analysis of net debt

At start of period	Cash flow	Acquisition	Other non-cash	At end of period
--------------------	-----------	-------------	----------------	------------------

	£	£	(excluding cash and overdrafts) £	changes £	£
Cash at bank and in hand	456,256	(405,656)	58,643	-	109,243
Bank overdraft	(462,075)	170,669	(76,269)	-	(367,675)
Cash and bank net debt	<u>(5,819)</u>	<u>(234,987)</u>	<u>(17,626)</u>	<u>-</u>	<u>(258,432)</u>
Debt due within one year	(4,083,623)	218,571	(376,718)	3,958,623	(283,147)
Debt due after one year	(154,110)	-	-	154,110	-
Finance leases	-	14,452	(28,098)	(82,524)	(96,170)
Change in debt	<u>(4,237,733)</u>	<u>233,023</u>	<u>(404,816)</u>	<u>4,030,209</u>	<u>(379,317)</u>
Net debt	<u>(4,243,552)</u>	<u>(1,964)</u>	<u>(422,442)</u>	<u>4,030,209</u>	<u>(637,749)</u>

30 Non cash transactions and items

Other non-cash changes include the issue of equity relating to the conversion of £3,987,333 of deep discount bonds owed to Brunswick Investment Holdings Limited and £175,000 of loans owed to Ex-Directors James Metcalf and Michael Sharples, details of which are disclosed in Note 21.

During the year the Group issued new equity before expenses of £5,463,000 for the purpose of acquisitions and £5,207,000 relating to the conversion of loans and sale of Panopticon Software AB. Details of which are disclosed in Note 21.

31 Post balance sheet events

On 1 June 2007, Hamsard Holdings Limited transferred the ownership of iRevolution Limited to Cantono plc.

On 3 August 2007 the Company consolidated the share capital by converting every 20 issued and un-issued Ordinary shares into 1 New Ordinary 20p share.

On 7 August 2007 the Company issued 10,618,500 Ordinary 20p shares at a placing price of £1.00 per share. The net proceeds of approximately £10,000,000 were to be used for additional working capital and to allow the Company to make capital investments into its new business strategy, details of which are disclosed in the Directors' Report.

In August 2007 the Group changed its bankers from National Westminster Bank plc to Barclays Bank plc, who now act as the Group's principal bankers.

32 Related parties

Related party transactions

The Group have entered into various transactions during the year with some of its shareholders, details of which are disclosed below:

Brunswick Investment Holdings Limited is a shareholder in the Company and was involved in the following transactions:

In July 2006 it provided additional loan capital of £1,500,000, for working capital purposes, and agreed to defer repayment of its deep discount bond of £4,191,198 until January 2008. On 22 November 2006 the £1,500,000 loan was converted into new Ordinary shares of 1p each.

On 30 May 2007 the Company issued 24,505,400 Ordinary shares of 1p at a placing price of 5.5p in order to repay a deep discounted bond of £1,509,995 that was owed to Brunswick Investment Holdings Limited; the shortfall £162,198 being written off as a gesture of goodwill. Also on the 30 May 36,363,636 Ordinary shares were issued at 5.5p to Edenmore Investments Limited as part of the sale of Panopticon and the repayment of deep discounted bonds owed to Brunswick Investments Holdings Limited. Details of the sale are disclosed in the exceptional item Note 5.

Panopticon Software AB, a subsidiary of Cantono plc was sold to Edenmore Investments Limited, a company that is

controlled by Sam Giertz, Vice President of Sales of Panopticon Software AB. The sale proceeds were linked to the repayment of the deep discount bonds owed to Brunswick Investments Holdings Limited, and the issuing of 36,363,636 Ordinary 1p shares at 5.5p.

Ex-Directors James Metcalf and Michael Sharples, who resigned on 17 July 2006, had outstanding loans due to them at the beginning of the year of £300,000. In July 2006 these loans were partially repaid by converting £50,000 of each loan into Ordinary 1p shares at 10p per share. In August 2006, a further repayment to each in cash of £25,000 was made. On 22 November 2006 each converted £37,500 of his loan into Ordinary shares of 1p at 2.5p per share with the remaining £37,500 outstanding of each loan account being repaid in cash on 24 November 2006.

Mike Northall has interests in Computer Solutions and Finance Group plc (“CSF Group plc”), and retained his position as a director of CSF Managed Services plc when CSF Group plc sold it to Cantono plc in January 2007. CSF Group plc continued to provide various support services, following the acquisition. The total value of these services was £406,956 which is also the net amount outstanding at 31 May 2007.

Paul Webb is the 90% owner of Blue River Systems Wales Limited, which has an office in Wales that Blue River Systems Limited has used for helpdesk support staff. The total charge for the six month period was £6,688, and the amount outstanding at 31 May was £6,688.

33 Availability of Report

Copies of the report have been dispatched to shareholders today. Further copies are available from the company’s website, www.cantono.com.

END

Close

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