Custom Interconnect Limited

Directors' report and financial statements

Registered number 02026753

For the year ended 30 June 2016

Contents

Directors and advisors

Registration number	02026753
Registered office	CIL House Charlton Road Andover Hampshire SP10 3JL
Directors	J G Boston C R Wright BA (Hons) ACA
Secretary	N J Edwards BSc (resigned 11 March 2016) Prof. D R Stokes MA Oxon (resigned 8 March 2017) Dr PG Barnwell (appointed 3 March 2017)
Auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH

Strategic report

Custom Interconnect continues to drive forward and go from strength to strength with its strategy to be recognised as the first choice in the UK for mission critical electronic manufacturing, engineering and product delivery solutions.

Sales for the year were £10.08million *(2015: £10.48million)* with a operating profit of £255,000 *(2015: operating profit of £358,000)*. This reduction in profits reflects the board's focussed strategy of continued investment by the trading company Custom Interconnect in its business development activities which continues to provide for market leading growth in sales and contribution.

Underlying the 2016 year end numbers was a 30% reduction in business revenue from customers within the global oil and gas sector. This decline during the year was successfully offset with 30% growth in new markets and customers principally medical and data communications, homeland security, video broadcast. This growth has come from a continued drive to provide leading edge electronic technology solutions applying specialist engineering knowledge with world class manufacturing processes. This new business has required significant investment in people and NRE at the expense of short term profitability. The profitability post year end has increased significantly with higher margins achieved as products within these buoyant markets move from prototype into production.

Increased automation and cash is now being invested in leading edge SMT and specialist process control equipment supporting sales growth of over 25%. This growth is facilitated by new working and growth capital finance agreed with ABN AMRO Bank and introduced on 31 March 2017 which provides for significant cash headroom in support of the groups Vision for the future. The facilities have been extended to £4m which provides for the necessary investment over the next 3 years as our customers drive more business to us with a long term forecast to double the turnover of our business from £12m in 2017 to £20m by 2020.

During the last trading period the group has been hugely successful at establishing itself as the **First Choice** for all its existing customers. Since the year-end and following the Brexit vote it has seen exceptionally strong growth from existing and new customers which puts the business in an unparalleled position with its strongest order book in history. This has been achieved against the backdrop of a very competitive market from within the UK and globally. Some of these UK competitors went out of business in late 2016 supporting further customers' consolidation of their business with Custom Interconnect.

The business culture and investment roadmap is focussed on maximising delivery flexibility in supporting ever-changing and growing customer requirements as most drive for unprecedented levels of product development, technical and engineering support in manufacturing higher technology mission critical electronic products.

The sales mix of the business continues to grow internationally with sales into US customers exceeding 30% and set to grow to more than 40% in 2017/18. The ongoing weaker pound will continue to support the UK and Connexion Technologies as a competitive source for manufacturing support.

The capital investment plan of the business continues to be focussed on process differentiation ensuring a one stop solution whilst maximising quality and right first time delivery performance. This combined with continuous IT investment in real-time management information in support of complex customer technology, mix and variant requirements has enabled the business to grow with a lower fixed cost base and headcount. Headcount is now some 30% lower on a comparative AV/head basis than 2 years ago.

Strategic report *(continued)*

Custom Interconnect is hugely focussed on developing and supporting it's people and this continues to be recognised having won "employer of the year" at the Test Valley Business Awards in 2015 and since 2014, continue to hold the UK hand soldering championship trophy with first and second place winners being employees whom have then gone on to represent the UK in Europe and the World competitions. Our world leading skills and knowledge is further backed up as one of our employees sits on the Global IPC committee furthering the development of world leading electronic manufacturing process development and control.

The board would like to thank its stakeholders for its continued support, in particular the supplier base and employees who continue to aspire to be the best in what we choose to lead the world in.

Principal risks and uncertainties

The principal risks and uncertainties facing the company include:

- New UK and EU legislation which are currently not viewed as a significant threat;
- Continuation and quality of component supply;
- Customer retention;
- Product innovation and development.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the company and each department head takes on an important oversight role in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control exists to manage financial risks and that controls operate effectively.

By order of the board

CR Wright BA (~~Hons) ACA~~
Director

10th April 2017.

Directors' report

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

Results and dividends

The profit and loss account is set out on page 9 and shows the profit for the year. No dividends have been paid or proposed *(2015: £Nil).*

Financial instruments

The company finances fixed assets and working capital through a mixture of retained profits and agreed funding facilities.

The company's financial risk management objective is broadly to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to pay suppliers in accordance with their stated terms. The company has a mixture of fixed and floating interest rates. Floating interest rates are regularly monitored and action is taken if necessary to mitigate interest rate risks. Established policies and procedures exist to ensure the management of trade debtors minimises as far as is reasonably practicable the group's exposure to credit risk. The procedures include the use of trade credit insurance.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

Directors

The directors of the company during the year were:

JG Boston
CR Wright BA (Hons), ACA

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

During the year, BDO LLP resigned as auditors and KPMG LLP filled the casual vacancy.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the board

10th April 2017

CR Wright BA (Hons) ACA
Director

CIL House
Charlton Road
Andover
Hampshire
SP10 3JL

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Custom Interconnect Limited

We have audited the financial statements of Custom Interconnect Limited for the year ended 30 April 2016 set out on pages 8 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Custom Interconnect Limited *(continued)*

Matters on which we are required to report by exception

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.

M Buckingham

10 April 2017

Matthew Buckingham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Profit and loss account
for the year ended 30 June 2016

	Note	2016 £000	2015 £000
Turnover	2	**10,079**	10,484
Cost of sales		**(7,219)**	(7,648)
Gross profit		**2,860**	2,836
Administrative expenses		**(2,605)**	(2,478)
Operating profit	3	**255**	358
Interest payable and similar charges		**(137)**	(128)
Profit before taxation		**118**	230
Tax on profit on ordinary activities	6	**60**	17
Profit after taxation		**178**	247

All of the activities of the company are classed as continuing.

There are no items of other comprehensive income in either year, other than those reflected in the profit and loss account. Accordingly, no separate statement of other comprehensive income is present.

Notes on pages 11 to 18 form part of the financial statements.

Balance sheet
at 30 June 2016

	Note	**2016** **£000**	**£000**	2015 £000	£000
Fixed assets					
Tangible assets	*7*		**483**		574
Current assets					
Stocks	*8*	**2,117**		1,957	
Debtors	*9*	**4,790**		3,662	
Cash at bank and in hand		**87**		10	
		6,994		5,629	
Creditors: Amounts falling due within one year	*11*	**(5,072)**		(3,725)	
Net current assets			**1,922**		1,904
Total assets less current liabilities			**2,405**		2,478
Creditors: amounts falling due after more than one year	*12*		**(161)**		(412)
Net assets			**2,244**		2,066
Capital and reserves					
Called up share capital	*13*		**130**		130
Share premium account			**82**		82
Profit and loss account			**2,032**		1,854
Shareholders' funds			**2,244**		2,066

These financial statements were approved by the directors on 10th April 2017 and were signed on their behalf by:

CR Wright BA (Hons) ACA
Director

Company number: 02026753

Statement of Changes in Equity

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 July 2014	130	82	1,607	1,819
Total comprehensive income for the year	-	-	247	247
Balance at 30 June 2015	130	82	1,854	2,066
Balance at 1 July 2015	130	82	1,854	2,066
Total comprehensive income for the year	-	-	178	178
Balance at 30 June 2016	**130**	**82**	**2,032**	**2,244**

Notes
(forming part of the financial statements)

1 Accounting policies

Custom Interconnect Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2016. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's immediate and ultimate parent undertaking, Connexion Technologies Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Connexion Technologies Limited are available to the public and may be obtained from Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Reconciliation of the number of shares outstanding from the beginning to end of the period;

Cash Flow Statement and related notes; and

Key Management Personnel compensation.

As the consolidated financial statements of Connexion Technologies Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

After considering trading forecasts, cash flow statements and available facilities for at least the next twelve months, which show the company delivering improved profitability and being cash generative, the directors have concluded it is appropriate to prepare the financial statements on a going concern basis.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold property – over the life of the lease
- plant and equipment - 6 – 33% straight line
- motor vehicles – 25% straight line (adjusted for second hand vehicles)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.7 Turnover

Turnover represents sales to external customers excluding value added tax. Sales are recognised at the point at which the group has fulfilled its contracted obligations.

1.8 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1.9 Research and development

Expenditure on research and development activities is recognised in the profit and loss account as an expense as incurred.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stock is held at cost which includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2 Turnover

The company's turnover and result before taxation is wholly attributable to the company's principal activity within the United Kingdom.

3 Operating profit

	2016	2015
	£000	£000
Operating profit is stated after charging:		
Research and development – current year's expenditure	**320**	310
Depreciation of tangible fixed assets	**178**	171
Hire of other assets – operating leases	**142**	142

4 Auditor's remuneration

	2016	2015
	£000	£000
Audit of these financial statements	**17**	11
Tax compliance services	**4**	[-]

5 Directors and employee information

The average number of persons employed by the company (including directors) during the period, was 108 *(2015: 119)*.

Notes *(continued)*

5 Directors and employee information *(continued)*

The aggregate payroll costs of these persons (including directors) were as follows:

	2016	2015
	£000	£000
Wages and salaries	**3,019**	2,846
Social security costs	**354**	340
Pension costs	**84**	72
	3,457	3,258
Directors' emoluments	**267**	259
Company contributions to money purchase pension schemes	**15**	15
	282	274

6 Taxation

Total tax expense recognised in the profit and loss account

	2016		2015	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period	**(39)**		(42)	
Adjustments in respect of prior periods	**(18)**		1	
Total current tax		**(57)**		(41)
Deferred tax (see note 10)				
Origination and reversal of timing differences	**(3)**		24	
Total deferred tax		**(3)**		24
Total tax		**(60)**		(17)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2016) and 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. In the budget on 8 July 2016, the chancellor announced on an additional planned reduction to 18% by 2020 which is relevant for future years as it will reduce company's future tax charge accordingly.

Notes *(continued)*

6 Taxation *(continued)*

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	**178**	247
Total tax expense	**60**	17
Profit excluding taxation	**117**	230
Tax using the UK corporation tax rate of 20% *(2015: 21%)*	**23**	48
Effect of change in rate	**-**	(1)
Adjustment to tax charge in respect of previous period	**(17)**	1
Adjustment to deferred tax charge	**-**	(4)
Benefit of R&D expenditure	**(68)**	(63)
Fixed asset differences	**2**	2
Total tax expense included in profit or loss	**(60)**	(17)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2016 has been calculated based on these rates.

7 Tangible fixed assets

	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	79	2,736	6	2,821
Additions	-	87	-	87
At end of year	79	2,823	6	2,908
Depreciation and impairment				
At beginning of year	40	2,201	6	2,247
Charge for year	7	171	-	178
At end of year	47	2,372	6	2,425
Net book value				
At 30 June 2016	**32**	**451**	**-**	**483**
At 30 June 2015	39	535	-	574

Notes *(continued)*

8 Stocks

	2016	2015
	£000	£000
Raw materials and consumables	**1,167**	872
Work in progress	**950**	1,085
	2,117	1,957

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £5,254,310 *(2015: £5,317,008)*.

9 Debtors

	2016	2015
	£000	£000
Trade debtors	**2,288**	1,609
Amounts owed by group undertakings	**2,276**	1,893
Corporation tax recoverable	**97**	41
Prepayments and accrued income	**119**	112
Deferred tax assets	**10**	7
	4,790	3,662
Due within one year	**4,780**	3,655
Due after more than one year	**10**	7
	4,790	3,662

Debtors include different tax assets of £10,000 (*2015:7,000*) due after more than one year

10 Deferred tax assets

Deferred tax assets are attributable to the following:

	2016	2015
	£000	£000
Accelerated capital allowances	**(30)**	(36)
Unutilised tax losses	**40**	43
	10	7

Notes *(continued)*

11 Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts (secured)	**2,301**	1,549
Trade creditors	**1,717**	1,325
Other taxation and social security	**247**	324
Obligations under finance lease and hire purchase contracts	**132**	110
Other creditors	**14**	13
Accruals and deferred income	**661**	404
	5,072	3,725

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company and a cross guarantee by other group companies. Amounts owed under finance leases are secured on the related fixed asset.

12 Creditors: Amounts falling due after one year

	2016 £000	2015 £000
Bank loans (secured)	**-**	184
Obligations under finance lease and hire purchase contracts	**161**	228
	161	412

13 Share capital

	2016 £000	2015 £000
Allotted, issued and fully paid:		
129,942 ordinary shares of £1 each	**130**	130

14 Operating leases

Non-cancellable operating lease rentals are payable as following:

	2016 £000	2015 £000
Less than one year	**142**	142
Between one and five years	**410**	568
	552	710

15 Capital commitments

There were no capital commitments at 30 June 2016 *(2015: £nil).*

16 Contingent liabilities

There were no contingent liabilities at 30 June 2016 *(2015: £nil).*

Notes *(continued)*

17 Related party transaction

The company has taken advantage of the exemption under FRS 102 not to disclose transactions with other wholly owned group undertakings.

During the year the group made sales to Coolled Limited. Coolled Limited is related by virtue of directors and owners in common. Sales in the year were £123,000 (2015: £117,757), of which £5,977 (2015: £2,124) was due from Coolled Limited at the year end.
During the year the group made purchases from Wright Industries, related by virtue of the fact that Mr Wright is a director of both companies. Purchases in the year, including amounts for the provision of management and consultancy services included within note 5, were £220,000 (2015: £200,370), of which £42,606 (2015: £22,000) was due to Wright Industries Limited at the year end.

During the year the group made purchases from Pure Electronics Limited. Pure Electronics Limited is related by virtue of directors in common. Purchases in the year were £60,474 (2015: £103,768), of which £7,184 (2015: £21,429) was due to Pure Electronics Limited at the year end.

During the year the group made purchases from Castle Microwave Limited. Castle Microwave Limited is related by virtue of directors in common. Purchases in the year were £9,904 (2015: £2,781), of which £1,140 (2015: £401) was due to Castle Microwave Limited at the year end.

The immediate and ultimate parent undertaking is Connexion Technologies Limited.

18 Post balance sheet events

Following the year end the parent company, Custom Interconnect Limited, sought and secured new finance facilities whereby the existing financing arrangement was replaced with new bankers. The Directors had sought new, increased facilities in order to support structured growth plans and the delivery of a customer order book which stands at a record high. The group now has an invoice financing arrangement amounting to a maximum of £2.5m, and a term loan amounting to a maximum of £1.2m.

19 Accounting estimates and judgements

The preparation of the financial statements under FRS 102 requires management to make estimates and assumptions which affect the financial statements. The key estimates and assumptions relate to the impairment assessment of client receivables and the fair value of unbilled revenue on client assignments.

Impairment assessment of client receivables

The total carrying amount of trade receivables and unbilled revenue on client assignments is held net of impairment losses after consideration is given to the clients' ability and willingness to pay those amounts accrued.

20 Explanation of transition to FRS 102 from Adopted IFRS

The date of transition is 1 July 2014.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

In preparing its FRS 102 balance sheet, the Company has made no adjustments to the numbers reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).