

Registered number: 02026753

CUSTOM INTERCONNECT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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CUSTOM INTERCONNECT LIMITED

COMPANY INFORMATION

Directors

J G Boston
C R Wright BA (Hons), ACA
P J Mitter (appointed 17 September 2019)

Registered number

02026753

Registered office

CIL House
48 Charlton Road
Andover
Hampshire
SP10 3JL

Independent auditor

Crowe U.K. LLP
Aquis House
49-51 Blagrove Street
Reading
Berkshire
RG1 1PL

CUSTOM INTERCONNECT LIMITED

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CUSTOM INTERCONNECT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2020

Business review

The directors present their strategic report on the company for the year ended 30 June 2020.

As we write this report the country has gone into its third lockdown. The Coronavirus pandemic has tested our business in unprecedented ways, and the board is extremely proud of how the management and staff have maintained focus and commitment to both the businesses strategy and in supporting the country providing critical equipment to support the NHS and save lives.

The underlying financial performance for the period to June 2020 was excellent and even though the 4th quarter saw significant reductions in certain areas of the business, notably Oil and Gas and some industrial technology customers this was partly offset by the three UK Govt led ventilator programmes the business supported alongside strong growth in the underlying Lab on Chip and RF technology customer base.

During the period and now into 2021/22 Custom Interconnect continues to grow its strategic customer base with record levels of NPI as it takes further market share. It's strategy to be the first choice in the UK for mission critical electronic manufacturing, engineering and product delivery solutions is well documented with further national awards in innovation and technology. Sales for the year were £18.193 million (2019: £18.38 million) with an operating profit of £2,506,000 (2019: operating profit of £2,667,000). This ongoing strong profit performance substantiates the board's strategy of continued investment in its customer's product manufacturing requirements, process capability and people development across high growth, high technology markets which provide for strong growth in sales and contribution.

The board are confident of continued strong growth driven by the focus to provide leading edge electronic technology solutions applying specialist engineering knowledge with world class manufacturing processes. The new business sales comes from significant ongoing investment in people and non-recurring engineering costs (NRE).

In certain electronic manufacturing processes Custom Interconnect is now recognised as an industry leader, this was supported in its selection by BMW to be part of the APC15@FutureBEV consortium. APC15@FutureBEV is a £30.5M development program 50% funded by InnovateUK/BEIS in partnership with BMW, McLaren and other partners as well as Custom Interconnect. Together the team will develop a new UK supply chain for sub-components and system capability for future electromobility addressing UK Government targets for industrial growth, generation and safeguarding of jobs, and the transformation to zero emission mobility. The technology drives Battery Electric Vehicles (BEV) from niche to mainstream. In support of this and other projects the budget for capital spend in 2021 has increased to £1.6m and will give Custom Interconnect a capability unmatched in the UK.

The board considered the need to extend further its working capital headroom in the summer of 2021 and concluded the existing £4m facilities from ABN AMRO and increased Asset Finance facility from HSBC of £2.4m were adequate providing for a minimum of £2m cash headroom. Strong cash generation has continued during the last 12 months. The business has established a significant positive net cash position for the first time in 10 years enabling the continued investment in support of the medium term forecast to increase turnover by 60% over the next 3 years.

The group has proved hugely successful over the past 2 years at establishing itself as the "First Choice" for all its existing customers. Since the year end it has seen a strengthening order book from existing and new customers which puts the business in an excellent position. Further-more we have continued to target acquisitions of further customers from underperforming competitors, which continues to be a very successful strategy as the market recognises our best in class service levels.

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.

CUSTOM INTERCONNECT LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

The geographic sales mix of the business has changed with the reduction in oil and gas business with direct international sales reducing by 6% to 16%. It should be remembered that a high percentage of the customers are international product suppliers. The Brexit deal is not anticipated to adversely impact sales rather should now reduce further sales risks and the slight strengthening of the pound supports Custom Interconnect as a dependable and competitive source for global manufacturing solutions. The wider Connexion Technologies group with unique mechanical, electronic manufacturing and supply chain capabilities continues to go from strength to strength achieving sales of £35m and a new website was launched in 2020, see www.connexiontechnologies.co.uk.

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.

Custom Interconnect is hugely focussed on being the best it can at what it does. Further to last years awards as winners of the Insider South East UK business awards for "Manufacturer of the Year (under £25m)" we have been shortlisted in 4 categories this year. After being a finalist in the 2019 Elektra awards we have been proposed for their "Manufacturer of the Year" award now delayed to 2021.

Custom Interconnect has just celebrated 34 years of business and the board would like to thank its customers for their ongoing trade, some of which have been with the company over 25 years. Furthermore, they wish to recognise the commitment and resolve of 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:

- Continuation and quality of component supply;
- Customer retention;
- Product innovation and development.

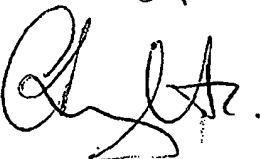
The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the company and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

Financial key performance indicators

The directors consider the Key Performance Indicators to be gross profit and profit before tax as disclosed in the Profit and Loss Account.

This report was approved by the board on 24th February 2021 and signed on its behalf.

C R Wright BA (Hons), ACA
Director



CUSTOM INTERCONNECT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

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 102 'The 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 profit for the year, after taxation, amounted to £2,092 thousand (2019 - £2,213 thousand).

Directors

The directors who served during the year were:

J G Boston
C R Wright BA (Hons), ACA
P J Mitter (appointed 17 September 2019)

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

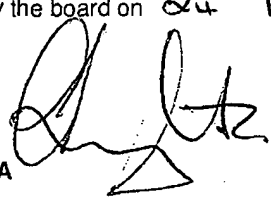
CUSTOM INTERCONNECT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24th February 2021 and signed on its behalf.


C R Wright BA (Hons), ACA
Director

CUSTOM INTERCONNECT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTOM INTERCONNECT LIMITED

Opinion

We have audited the financial statements of Custom Interconnect Limited (the 'Company') for the year ended 30 June 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

CUSTOM INTERCONNECT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTOM INTERCONNECT LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 in relation to which 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.

CUSTOM INTERCONNECT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTOM INTERCONNECT LIMITED (CONTINUED)

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.

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.



Richard Baker (Senior statutory auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Aquis House
49-51 Blagrove Street

Reading
Berkshire
RG1 1PL

Date: 26 February 2021

CUSTOM INTERCONNECT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 £000	2019 £000
Turnover	4	18,193	18,387
Cost of sales		(11,873)	(11,938)
Gross profit		6,320	6,449
Administrative expenses		(3,832)	(3,782)
Government CJRS grant	5	18	-
Operating profit	6	2,506	2,667
Interest payable and expenses	10	(104)	(123)
Profit before tax		2,402	2,544
Tax on profit	11	(310)	(331)
Profit for the financial year		2,092	2,213

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 11 to 25 form part of these financial statements.

CUSTOM INTERCONNECT LIMITED
REGISTERED NUMBER: 02026753

BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	13	1,317	1,051
		<u>1,317</u>	<u>1,051</u>
Current assets			
Stocks	14	2,651	2,928
Debtors: amounts falling due after more than one year	15	-	3,530
Debtors: amounts falling due within one year	15	8,209	2,731
Cash at bank and in hand	16	1,681	2,206
		<u>12,541</u>	<u>11,395</u>
Creditors: amounts falling due within one year	17	(7,444)	(5,358)
Net current assets		<u>5,097</u>	<u>6,037</u>
Total assets less current liabilities		<u>6,414</u>	<u>7,088</u>
Creditors: amounts falling due after more than one year	18	(799)	(635)
Provisions for liabilities			
Deferred tax	20	(141)	(53)
		<u>(141)</u>	<u>(53)</u>
Net assets		<u>5,474</u>	<u>6,400</u>
Capital and reserves			
Called up share capital	21	130	130
Share premium account		82	82
Profit and loss account		5,262	6,188
		<u>5,474</u>	<u>6,400</u>

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

C R Wright BA (Hons), ACA
 Director

Date: 26th February 2021.

The notes on pages 11 to 25 form part of these financial statements.

CUSTOM INTERCONNECT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 July 2018	130	82	3,975	4,187
Comprehensive income for the year				
Profit for the year	-	-	2,213	2,213
At 1 July 2019	130	82	6,188	6,400
Comprehensive income for the year				
Profit for the year	-	-	2,092	2,092
Dividends: Equity capital	-	-	(3,018)	(3,018)
At 30 June 2020	130	82	5,262	5,474

The notes on pages 11 to 25 form part of these financial statements.

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. General information

Custom Interconnect Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales. The registered number is 02026753 and the registered address is CIL House, Charlton Road, Andover, Hampshire SP10 3JL.

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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Connexion Technologies Limited as at 30 June 2020 and these financial statements may be obtained from Companies House.

2.3 Going concern

The company has cash resources and has no requirement for external funding in excess of its current facilities. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In making their assessment the directors have considered the impact on the business of COVID-19 including the ability of the company to continue to service customers, the impact on future revenues and cash collections and the financial position of the wider group. They continue to believe the going concern basis of accounting appropriate in preparing the annual financial statements.

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.4 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Revenue

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

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss 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.

2.7 Government grants

Grants are accounted for under the performance model as permitted by the FRS 102. CJRS grant income is therefore recognised on a straight line basis over the furlough period for each relevant employee.

2.8 Finance costs

Finance costs are charged to profit or loss 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.

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.9 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 balance sheet 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 Balance sheet 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 balance sheet date.

2.11 Development costs

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

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.

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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:

Long-term leasehold property	- over the life of the lease
Plant and machinery	- 6% to 33%
Motor vehicles	- 25%

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 profit or loss.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.18 Financial instruments

The company holds only financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments include debtors and creditors. Debtors and creditors are initially recognised at transaction value and subsequently measured at amortised cost. Note 18 provides more information on financial instruments where future cash flows are anticipated, with financial assets referring to fixed asset investments and debtor balances excluding prepayments, and financial liabilities referring to all creditor balances excluding deferred income.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

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.

Stock obsolescence:

The company makes a provision for slow moving stock on a sliding scale basis that increases with the age of stock, with all stock being typically fully written down after 3 years.

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

4. Turnover

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	15,237	14,291
Rest of Europe	138	129
Rest of the world	2,817	3,967
	<u>18,192</u>	<u>18,387</u>

5. Other operating income

	2020 £000	2019 £000
Government CJRS grant	18	-
	<u>18</u>	<u>-</u>

6. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Research & development charged as an expense	1,091	1,043
Exchange differences	(64)	(55)
Other operating lease rentals	153	149
Depreciation of tangible fixed assets	370	263
	<u></u>	<u></u>

7. Auditor's remuneration

Fees payable to the Company's auditor and its associates in respect of:

Audit of the financial statements	18	18
Taxation compliance services	5	5
	<u>23</u>	<u>23</u>

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

8. Employees

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

	2020 £000	2019 £000
Wages and salaries	3,916	3,639
Social security costs	421	390
Cost of defined contribution scheme	109	98
	<u>4,446</u>	<u>4,127</u>

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

	2020 No.	2019 No.
Management	9	9
Administration	7	14
Sales	7	6
Operations	114	104
	<u>137</u>	<u>133</u>

9. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	275	235
Amounts paid to third parties in respect of directors' services	162	168
	<u>437</u>	<u>403</u>

The highest paid director received remuneration of £192 thousand (2019 - £228 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10. Interest payable and similar expenses

	2020	<i>2019</i>
	£000	<i>£000</i>
Bank interest payable	70	96
Finance leases and hire purchase contracts	34	27
	<u>104</u>	<u>123</u>

11. Taxation

	2020	<i>2019</i>
	£000	<i>£000</i>
Corporation tax		
Current tax on profits for the year	222	192
Adjustments in respect of previous periods	-	(64)
	<u>222</u>	<u>128</u>
Total current tax	<u>222</u>	<u>128</u>
Deferred tax		
Origination and reversal of timing differences	88	44
Adjustment in respect of prior years	-	159
	<u>88</u>	<u>203</u>
Total deferred tax	<u>88</u>	<u>203</u>
Taxation on profit on ordinary activities	<u>310</u>	<u>331</u>

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2019 - lower than)* the standard rate of corporation tax in the UK of 19% *(2019 - 19%)*. The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>2,402</u>	<u>2,545</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	456	483
Effects of:		
Fixed asset differences	-	2
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7	-
Effect of change in rate	6	(5)
Group relief claimed	(6)	(84)
Adjustments to tax charge in respect of prior periods	-	95
Benefit of R&D expenditure	(153)	(160)
Total tax charge for the year	<u><u>310</u></u>	<u><u>331</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2020 £000	2019 £000
Dividends: Equity capital	<u>3,018</u>	-
	<u><u>3,018</u></u>	<u><u>-</u></u>

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. Tangible fixed assets

	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 July 2019	79	3,980	24	4,083
Additions	-	636	-	636
Disposals	-	-	(6)	(6)
At 30 June 2020	79	4,616	18	4,713
Depreciation				
At 1 July 2019	68	2,954	10	3,032
Charge for the year on owned assets	5	-	6	11
Charge for the year on financed assets	-	359	-	359
Disposals	-	-	(6)	(6)
At 30 June 2020	73	3,313	10	3,396
Net book value				
At 30 June 2020	6	1,303	8	1,317
At 30 June 2019	11	1,026	14	1,051

The net book value of tangible fixed assets includes an amount of £1,233,193 (2019: £966,572) in respect of assets held under finance leases and hire purchase contracts.

14. Stocks

	2020 £000	2019 £000
Raw materials and consumables	925	705
Work in progress (goods to be sold)	1,726	2,223
	<u>2,651</u>	<u>2,928</u>

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

15. Debtors

	2020 £000	2019 £000
Due after more than one year		
Amounts owed by group undertakings	-	3,530
	<u>-</u>	<u>3,530</u>
	2020 £000	2019 £000
Due within one year		
Trade debtors	1,985	2,618
Amounts owed by group undertakings	6,110	-
Other debtors	2	-
Prepayments and accrued income	112	113
	<u>8,209</u>	<u>2,731</u>

16. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	1,681	2,206
	<u>1,681</u>	<u>2,206</u>

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

17. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank loans	1,074	1,592
Trade creditors	1,840	2,393
Amounts owed to group undertakings	3,018	-
Corporation tax	329	192
Other taxation and social security	565	360
Obligations under finance lease and hire purchase contracts	310	238
Other creditors	21	24
Accruals and deferred income	287	559
	<u>7,444</u>	<u>5,358</u>

Taxation and social security includes a creditor due by the Company taking advantage of the Government VAT Deferral Scheme for one quarters VAT return. This will be payable by the 31st March 2021 in line with the Scheme rules.

Bank loans 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.

18. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Net obligations under finance leases and hire purchase contracts	799	635
	<u>799</u>	<u>635</u>

CUSTOM INTERCONNECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

19. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>9,778</u>	<u>8,354</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(7,349)</u>	<u>(5,374)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, fixed asset investments, trade debtors, amount owed by associated undertakings, and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, finance leases, bank loans, other creditors, and accruals excluding deferred income.

20. Deferred taxation

	2020 £000
At beginning of year	(53)
Charged to profit or loss	(88)
At end of year	<u>(141)</u>

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(145)	(65)
Short term timing differences	4	12
	<u>(141)</u>	<u>(53)</u>

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

21. Share capital

	2020	<i>2019</i>
	£000	<i>£000</i>
Allotted, called up and fully paid		
129,942 (2019 - 129,942) Ordinary shares of £1.00 each	130	<i>130</i>

22. Pension commitments

The Company operates a defined contributions 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 £109k (2019: £98k). Contributions totalling £21k (2019: £19k) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 30 June 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	<i>2019</i>
	£000	<i>£000</i>
Not later than 1 year	153	<i>145</i>
Later than 1 year and not later than 5 years	591	<i>688</i>
	744	<i>833</i>

24. Related party transactions

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

During the year management and consultancy charges were received from a company under common control of £311k (2019: £297k) of which £Nil (2019: £Nil) was due at the year end.

During the year the group made purchases of £7k (2019: £38k) of which £1k (2019: £2k) was due at the year end to companies under common control.

25. Post balance sheet events

In December 2019, a novel strain of coronavirus surfaced, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020 and resulted in a UK lockdown from March 2020. With the pandemic ongoing the extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

26. Controlling party

The company is a subsidiary of Custom Interconnect (Holdings) Limited, an intermediate holding company, the ultimate parent company is Connexion Technologies Limited, which is incorporated in the United Kingdom.

The largest and smallest group in which the results of the company are consolidated is that headed by Connexion Technologies Limited, incorporated in the United Kingdom. The consolidated financial statements of this company are available to the public and may be obtained from Companies House. No other group financial statements include the results of the company.

At 30 June 2020, the directors consider Mr C R Wright to be the ultimate controlling party.