

Registered number: 02026753

CUSTOM INTERCONNECT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



CUSTOM INTERCONNECT LIMITED

COMPANY INFORMATION

Directors J G Boston
C R Wright BA (Hons), ACA
P J Mitter

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 2021

Business review

The directors present their strategic report on the company for the year ended 30 June 2021.

The Coronavirus pandemic has tested our business in many 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 by providing critical equipment to the NHS and research establishments leading to early diagnosis and therefore saving lives.

Since the end of the last lockdown in early 2021 the business has grown at the highest rate in its history. As we write this report, the orderbook is at its highest ever level, just short of £20m. Customers are recognising the need to place orders earlier due to increasing component lead times as supply is frustrated by shortfalls in component manufacture capacity and logistical management challenges. We continue to operate strict social distancing at our factories which is not without its challenges given the rapidly increasing headcount and space constraints. Worthy of mention is the growth being seen in medical product turnover and that now accounts for over 50% of revenue.

The underlying financial performance for the period to June 2021 was very good and the 4th quarter in particular saw significant increases in business as customers returned to more normalised practices and high demand.

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 and micro-electronic manufacturing, engineering and product delivery solutions is well documented with further awards in innovation and technology for the South of England and recognition in Europe. Sales for the year were reduced to £14.849 million (2020: £18.193 million) with an operating profit before R&D of £2.421m (2020: operating profit before R&D of £3.597million). 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 come from significant ongoing investment in people and non-recurring engineering costs (NRE). To support this the business has massively increased its engagement in leading edge R&D projects with £7.5m committed over the next 3 years alongside Innovate UK funding support of up to 60%.

The business has maintained at least £1.5m of cash headroom during the year with its £4m ABN AMRO facility and has increased its capital finance facility with HSBC from £2.4m to £4m in support of the planned equipment growth. This investment supports the new projects in R&D and production, enabling the Board to have confidence in the sales growth forecast of 100% over the next three years. Growth on this scale requires additional headcount and infrastructure including property and the Board has approved an additional new facility in Andover of up to 50,000 sq. ft. Negotiations are currently underway on a number of possible sites.

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 and other partners with Custom Interconnect as the sole manufacturing partner. 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 business invested £1.5m in bespoke equipment this financial year, with a further £1.7m committed for 2021/22. This will enable Custom Interconnect to support bespoke power module and related control board manufacture and has now established itself on a further 4 Innovate UK supported product development programmes resulting in Custom Interconnect expecting to have its own power module products to offer into the high performance BEV market. World leading blue chip customers already engaged in design input to ensure the

CUSTOM INTERCONNECT LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

products can support their next generation applications in Automotive, Aerospace, Defence, Datacentres, Renewables to name a few. This is expected to support exponential growth in the business over the next 2-5 years.

In further support of this growth the business is set to expand its facilities by 100% with up to an additional 35,000 square feet of manufacturing space located near its existing Andover manufacturing facilities within the next 12 months.

The business has proved hugely successful over the past 5 years at establishing itself as the "First Choice" for all its existing customers and in the development of advanced electronic technologies. Since the year end it has seen a further strengthening of the order book from existing and new customers as existing product sales grow and the many new products which have been nurtured in our extensive NPI programme come to fruition which puts the business in an excellent position for profitable, cash generative growth and warrants the headcount and facilities expansion. 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 are 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 geographic sales mix of the business has changed with the reduction in oil and gas business with direct international sales reducing significantly. It should be remembered that a high percentage of the customers are international product suppliers. The Brexit deal has not adversely impacted sales and rather combined with uncertainties in China has increased the onshoring to the UK and the pounds ongoing stability 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 has also weathered the storm well and although the Group sales reduced 20% in 20/21, bounced back in 21/22 and is forecast to grow 28% to £38m.

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. We have again been the winner of the Insider South East UK business awards for "Manufacturer of the Year (under £25m)" having been shortlisted in 4 categories this year.

Custom Interconnect has just celebrated 35 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.

Custom Interconnect is committed to ESG and has recently engaged in supporting direct measurement of its ESG plan. This will become apparent in the 2022 Financial report as we strive to minimise our carbon footprint alongside the necessary growth of infrastructure, continue as a socially responsible employer and ensure we operate world leading systems and processes to improve productivity and sustainability whilst responsibly governing the business in the interests of all stakeholders.

CUSTOM INTERCONNECT LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Principal risks and uncertainties

The principal risks and uncertainties facing the company include:

- Material shortages 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.

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 8th 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 2021

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

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 £952 thousand (2020 - £2,092 thousand).

Directors

The directors who served during the year were:

J G Boston
C R Wright BA (Hons), ACA
P J Mitter

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.

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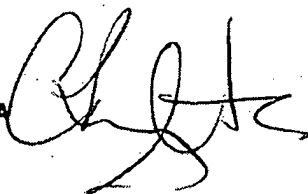
**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

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 *8th February 2022* 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 2021, 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 2021 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

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

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

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

CUSTOM INTERCONNECT LIMITED

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

CUSTOM INTERCONNECT LIMITED

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risks of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to management override risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases. Our audit procedures to respond to revenue recognition risks included sample testing a sample of income across the year to agree to supporting documentation, and reviewing income received either side of the year end to ensure this has been recognised correctly.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.


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.

CUSTOM INTERCONNECT LIMITED

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

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: 15 February 2022

CUSTOM INTERCONNECT LIMITED

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

	Note	2021 £000	2020 £000
Turnover	4	14,849	18,193
Cost of sales		(9,995)	(11,873)
Gross profit		4,854	6,320
Administrative expenses		(3,914)	(3,832)
Other operating income	5	257	18
Operating profit	6	1,197	2,506
Adjusted operating profit before research and development expenditure		2,421	3,597
Research and development expenditure		(1,224)	(1,091)
Operating profit		1,197	2,506
Interest payable and similar expenses	10	(77)	(104)
Profit before tax		1,120	2,402
Tax on profit	11	(168)	(310)
Profit for the financial year		952	2,092

There was no other comprehensive income for 2021 (2020:£000NIL).

The notes on pages 13 to 26 form part of these financial statements.

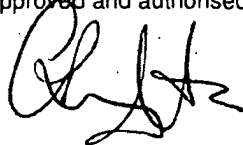
CUSTOM INTERCONNECT LIMITED
REGISTERED NUMBER: 02026753

BALANCE SHEET
AS AT 30 JUNE 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	13	2,336	1,317
		<u>2,336</u>	<u>1,317</u>
Current assets			
Stocks	14	2,527	2,651
Debtors: amounts falling due within one year	15	8,556	8,209
Cash at bank and in hand	16	1,064	1,681
		<u>12,147</u>	<u>12,541</u>
Creditors: amounts falling due within one year	17	(6,838)	(7,444)
Net current assets		<u>5,309</u>	<u>5,097</u>
Total assets less current liabilities		<u>7,645</u>	<u>6,414</u>
Creditors: amounts falling due after more than one year	18	(1,385)	(799)
Provisions for liabilities			
Deferred tax	19	(334)	(141)
		<u>(334)</u>	<u>(141)</u>
Net assets		<u><u>5,926</u></u>	<u><u>5,474</u></u>
Capital and reserves			
Called up share capital	20	130	130
Share premium account		82	82
Profit and loss account		5,714	5,262
		<u>5,926</u>	<u>5,474</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: 8th February 2022.

The notes on pages 13 to 26 form part of these financial statements.

CUSTOM INTERCONNECT LIMITED

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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
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 1 July 2020	130	82	5,262	5,474
Comprehensive income for the year				
Profit for the year	-	-	952	952
Dividends: Equity capital	-	-	(500)	(500)
At 30 June 2021	130	82	5,714	5,926

The notes on pages 13 to 26 form part of these financial statements.

CUSTOM INTERCONNECT LIMITED

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

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 2021 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 continuing 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 2021

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 under the accruals model as permitted by FRS 102. Government grants are made up of income received under the Coronavirus Job Retention Scheme and are disclosed as other operating income in the profit and loss account.

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 2021

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 2021

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 2021

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. Financial assets refer to fixed asset investments and debtor balances excluding prepayments, and financial liabilities refer 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 2021**

4. Turnover

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	14,056	15,237
Rest of Europe	140	138
Rest of the world	653	2,817
	<u>14,849</u>	<u>18,192</u>

5. Other operating income

	2021 £000	2020 £000
Coronavirus Job Retention Scheme grant	99	18
Innovate UK grant funding	158	-
	<u>257</u>	<u>18</u>

6. Operating profit

The operating profit is stated after charging:

	2021 £000	2020 £000
Research & development charged as an expense	1,224	1,091
Exchange differences	(52)	(64)
Other operating lease rentals	154	153
Depreciation of tangible fixed assets	484	370
	<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	19	18
Taxation compliance services	5	5
	<u>24</u>	<u>23</u>

CUSTOM INTERCONNECT LIMITED

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

8. Employees

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

	2021 £000	2020 £000
Wages and salaries	3,878	3,916
Social security costs	403	421
Cost of defined contribution scheme	113	109
	<u>4,394</u>	<u>4,446</u>

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

	2021 No.	2020 No.
Management	10	9
Administration	2	7
Sales	6	7
Operations	113	114
	<u>131</u>	<u>137</u>

9. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	273	275
Amounts paid to third parties in respect of directors' services	155	162
	<u>428</u>	<u>437</u>

The highest paid director received remuneration of £188 thousand (2020 - £192 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 (2020 - £NIL).

CUSTOM INTERCONNECT LIMITED

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

10. Interest payable and similar expenses

	2021 £000	2020 £000
Bank interest payable	36	70
Finance leases and hire purchase contracts	41	34
	<u>77</u>	<u>104</u>

11. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	(25)	222
	<u>(25)</u>	<u>222</u>
Total current tax	<u>(25)</u>	<u>222</u>
Deferred tax		
Origination and reversal of timing differences	193	88
Total deferred tax	<u>193</u>	<u>88</u>
Taxation on profit on ordinary activities	<u>168</u>	<u>310</u>

CUSTOM INTERCONNECT LIMITED

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

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	1,120	2,402
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	213	456
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	7
Effect of change in rate	83	6
Group relief	-	(6)
Benefit of R&D expenditure	(128)	(153)
Total tax charge for the year	168	310

Factors that may affect future tax charges

The March 2021 Budget announced that the rate will increase from 19% to 25% from 1 April 2023 for companies with taxable profits in excess of £250,000. For those businesses that have taxable profits between £50,000 and £250,000 a margin rate relief scheme will be introduced to bridge the gap between the 19% rate and 25% rate providing a gradual increase in rate throughout this band.

12. Dividends

	2021 £000	2020 £000
Dividends: Equity capital	500	3,018
	500	3,018

CUSTOM INTERCONNECT LIMITED

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

13. Tangible fixed assets

	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 July 2020	79	4,616	18	4,713
Additions	5	1,498	-	1,503
At 30 June 2021	84	6,114	18	6,216
Depreciation				
At 1 July 2020	73	3,313	10	3,396
Charge for the year on owned assets	5	-	6	11
Charge for the year on financed assets	-	473	-	473
At 30 June 2021	78	3,786	16	3,880
Net book value				
At 30 June 2021	6	2,328	2	2,336
At 30 June 2020	6	1,303	8	1,317

The net book value of tangible fixed assets includes an amount of £1,791,918 (2020: £1,233,193) in respect of assets held under finance leases and hire purchase contracts.

14. Stocks

	2021 £000	2020 £000
Raw materials and consumables	1,184	925
Work in progress (goods to be sold)	1,343	1,726
	<u>2,527</u>	<u>2,651</u>

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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15. Debtors

	2021 £000	2020 £000
Trade debtors	2,091	1,985
Amounts owed by group undertakings	6,260	6,110
Other debtors	25	2
Prepayments and accrued income	180	112
	<u>8,556</u>	<u>8,209</u>

16. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	1,064	1,681
	<u>1,064</u>	<u>1,681</u>

17. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank loans	1,008	1,074
Trade creditors	1,662	1,840
Amounts owed to group undertakings	3,018	3,018
Corporation tax	-	329
Other taxation and social security	260	565
Obligations under finance lease and hire purchase contracts	544	310
Other creditors	22	21
Accruals and deferred income	324	287
	<u>6,838</u>	<u>7,444</u>

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.

CUSTOM INTERCONNECT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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18. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Net obligations under finance leases and hire purchase contracts	1,385	799
	<u>1,385</u>	<u>799</u>

19. Deferred taxation

	2021 £000
At beginning of year	(141)
Charged to profit or loss	(193)
At end of year	<u>(334)</u>

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(368)	(145)
Tax losses carried forward	32	-
Short term timing differences	2	4
	<u>(334)</u>	<u>(141)</u>

CUSTOM INTERCONNECT LIMITED

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

20. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
129,942 (2020 - 129,942) Ordinary shares of £1.00 each	130	130

21. Capital commitments

At 30 June 2021 capital commitments amounted to £123,459 (2020: £Nil).

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 £113k (2020: £109k). Contributions totalling £22k (2020: £21k) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 30 June 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £000	2020 £000
Not later than 1 year	126	153
Later than 1 year and not later than 5 years	477	591
	603	744

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 £271k (2020: £311k) of which £Nil (2020: £Nil) was due at the year end.

During the year the group made purchases of £12k (2020: £7k) of which £Nil (2020: £1k) was due at the year end to companies under common control.

CUSTOM INTERCONNECT LIMITED

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

25. 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 England & Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Connexion Technologies Limited, incorporated in England & Wales. 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 2021 and during the period, the directors consider Mr C R Wright to be the ultimate controlling party.