

Company Registration No. 09917825 (England and Wales)

**CUSTOMS CONNECT
GROUP LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

PAGES FOR FILING WITH REGISTRAR



**PM+M Solutions for Business LLP
Chartered Accountants
New Century House
Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB**

CUSTOMS CONNECT GROUP LIMITED

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CUSTOMS CONNECT GROUP LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	4	216,642		213,151	
Tangible assets	5	8,873		35,262	
		<u>225,515</u>		<u>248,413</u>	
Current assets					
Debtors	7	190,574		595,029	
Cash at bank and in hand		210,535		122,840	
		<u>401,109</u>		<u>717,869</u>	
Creditors: amounts falling due within one year	8	(186,057)		(196,745)	
Net current assets		<u>215,052</u>		<u>521,124</u>	
Total assets less current liabilities		<u>440,567</u>		<u>769,537</u>	
Creditors: amounts falling due after more than one year	9	(6,579,247)		(5,874,836)	
Net liabilities		<u>(6,138,680)</u>		<u>(5,105,299)</u>	
Capital and reserves					
Called up share capital		1,633,593		1,633,593	
Share premium account		526,500		526,500	
Profit and loss reserves		(8,298,773)		(7,265,392)	
Total equity		<u>(6,138,680)</u>		<u>(5,105,299)</u>	

The directors of the group have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 July 2021 and are signed on its behalf by:



N Sheppard
Director

CUSTOMS CONNECT GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
Investments			-		-
Current assets					
Debtors	7	34,509		36,509	
Cash at bank and in hand		470		59	
		<u>34,979</u>		<u>36,568</u>	
Creditors: amounts falling due within one year	8	(17,100)		(17,100)	
Net current assets			17,879		19,468
Creditors: amounts falling due after more than one year	9		(6,579,247)		(5,874,836)
Net liabilities			(6,561,368)		(5,855,368)
Capital and reserves					
Called up share capital			1,633,593		1,633,593
Share premium account			526,500		526,500
Profit and loss reserves			(8,721,461)		(8,015,461)
Total equity			(6,561,368)		(5,855,368)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £708,000 (2019 - £7,060,709 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 July 2021 and are signed on its behalf by:



N Sheppard
Director

Company Registration No. 09917825

CUSTOMS CONNECT GROUP LIMITED

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

1 Accounting policies

Company information

Customs Connect Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is HQ, Clippers Quay, The Quays, Salford, Manchester, M50 3XP.

The group consists of Customs Connect Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company Customs Connect Group Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 30 June 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Whilst the current period financial statements show a loss position and a net liability position, since the year end a group restructuring has taken place to strengthen the balance sheet of the group. See note 10 for further details. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

For contracts where the amount received is contingent on matters outside the control of the company, turnover is recognised provided the company has completed all relevant services and only to the extent that those contingencies are resolved at the year end.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
Development costs	33% straight line

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% reducing balance
Computers	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument:

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not consider that there are any individual estimates which are material to the financial statements.

3 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Total	10	17	3	3

4 Intangible fixed assets

Group	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 July 2019	2,895,113	285,590	3,180,703
Additions	-	67,198	67,198
Disposals	(207,081)	-	(207,081)
At 30 June 2020	2,688,032	352,788	3,040,820
Amortisation and impairment			
At 1 July 2019	2,895,113	72,439	2,967,552
Amortisation charged for the year	-	63,707	63,707
Disposals	(207,081)	-	(207,081)
At 30 June 2020	2,688,032	136,146	2,824,178
Carrying amount			
At 30 June 2020	-	216,642	216,642
At 30 June 2019	-	213,151	213,151

The company had no intangible fixed assets at 30 June 2020 or 30 June 2019.

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

4 Intangible fixed assets

(Continued)

On 14 May 2021, a new development arrangement was agreed with a 3rd party which transferred the intellectual property currently held by the group. The group will receive income from a revenue share as part of the agreement.

5 Tangible fixed assets

Group	Plant and machinery etc £
Cost	
At 1 July 2019	89,571
Disposals	(42,040)
At 30 June 2020	47,531
Depreciation and impairment	
At 1 July 2019	54,309
Depreciation charged in the year	14,499
Eliminated in respect of disposals	(30,150)
At 30 June 2020	38,658
Carrying amount	
At 30 June 2020	8,873
At 30 June 2019	35,262

The company had no tangible fixed assets at 30 June 2020 or 30 June 2019.

6 Subsidiaries

Details of the company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Registered office	% Held	
		Direct	Indirect
Customs Connect Limited	Hq Clippers Quay, The Quays, Salford, Manchester, M50 3XP	100.00	-
Customs Connect Digital Limited	Hq Clippers Quay, The Quays, Salford, Manchester, M50 3XP	100.00	-
International Trade Solutions Limited	Hq Clippers Quay, The Quays, Salford, Manchester, M50 3XP	-	100.00
Customs Connect Europe Limited	Hq Clippers Quay, The Quays, Salford, Manchester, M50 3XP	-	100.00
Customs Connect Europe B.V	Singel 250, 1016 AB Amsterdam, Amsterdam, Netherlands	-	100.00
Customs Connect Deutschland GmbH	3rd Floor, Peter-Müller-Straße 3, 40468 Düsseldorf, Germany	-	100.00
Customs Connect Digital Solutions Limited	Hq Clippers Quay, The Quays, Salford, Manchester, M50 3XP	-	100.00

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

7 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	£	£	£	£
Trade debtors	125,347	39,298	-	-
Corporation tax recoverable	-	153,304	-	-
Other debtors	65,227	310,546	34,509	36,509
	<u>190,574</u>	<u>503,148</u>	<u>34,509</u>	<u>36,509</u>
Deferred tax asset	-	91,881	-	-
	<u>190,574</u>	<u>595,029</u>	<u>34,509</u>	<u>36,509</u>

8 Creditors: amounts falling due within one year

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Trade creditors	30,776	111,388	-	-
Amounts owed to group undertakings	-	-	17,100	17,100
Taxation and social security	91,003	53,676	-	-
Other creditors	64,278	31,681	-	-
	<u>186,057</u>	<u>196,745</u>	<u>17,100</u>	<u>17,100</u>

9 Creditors: amounts falling due after more than one year

	Group 2020	2019	Company 2020	2019
Notes	£	£	£	£
Other creditors	<u>6,579,247</u>	<u>5,874,836</u>	<u>6,579,247</u>	<u>5,874,836</u>

Loan notes of £4,600,000 were issued during 2017 to fund the acquisition of Customs Connect Limited made by the company. Interest accrues on the principal amount at a rate of 10% per annum and this is charged in full to the Statement of Comprehensive Income. The interest on the principal amount of £1,800,000 of the loans is being rolled up to compound the loan. The interest expense on the remaining £2,800,000 is due to be paid in instalments during the year, although some of this had not been settled by the year end. The loan notes are redeemable in full in August 2021.

After the year end, a restructuring has taken place to convert elements of the intercompany loan to share capital. See details in note 10.

CUSTOMS CONNECT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was David Gorton FCA CTA and the auditor was PM+M Solutions for Business LLP.

11 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

Group		Company	
2020	2019	2020	2019
£	£	£	£
-	9,338	-	-
<u> </u>	<u> </u>	<u> </u>	<u> </u>

12 Events after the reporting date

Over the last two years the Company has significantly reorganised the operations of the group so that it is expected to deliver sustainable profits and cash flows in future. The directors are confident that this reorganisation has been successful in this.

At the end of March 2021, the shareholders and principal creditors of the Company agreed to demonstrate their continued support following this reorganisation and entered into a suite of agreements to put the Company's finances on a sustainable basis. The principal elements were:

- The conversion of £1.8m of loan notes into 3 deferred shares of £1 each
- The waiving of £450,000 of loan notes together with accrued interest of £187,000
- The waiving of accrued interest on other loan notes of £561,000
- The conversion of 165,806 C ordinary shares of £0.20 each into deferred shares of £0.20 each
- The conversion of the entire £615,000 of the Preference share capital into deferred shares of £1 each
- The rescheduling of the repayment of remaining loan notes over a much longer period

The net effect of these agreements was to release the Company and Group from liabilities of £3,298,000, reducing the deficit on shareholders' funds by the same amount. The directors are confident that over time the remaining deficit on reserves will be eliminated through reversals of historical impairment charges, recognition of deferred tax assets and trading profits.