

**COMPANY REGISTRATION NO. 05479601 (England and Wales)**

**TXO SYSTEMS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**TXO SYSTEMS LTD**

**COMPANY INFORMATION**

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**Directors** Mrs R Ockenden  
Mr A Ockenden  
Mrs A Pritchard  
Mr C Coakley  
Mr D L Pearce  
Mr S G Griffiths

**Company number** 05479601

**Registered office** Finance & Administration Department  
Unit 3, Severn Cross Distribution Park  
Newhouse Farm Industrial Estate  
Chepstow  
Monmouthshire  
NP16 6UP

**Auditor** UHY Hacker Young  
Lanyon House  
Mission Court  
Newport  
South Wales  
United Kingdom  
NP20 2DW

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**TXO SYSTEMS LTD**

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## **TXO SYSTEMS LTD**

### **STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021**

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

#### **Fair review of the business**

There have not been any significant changes in the principal activities of the company or the group in the year under review. The directors are not aware, at the date of this report, of any likely changes in the company's or the group's activities in the forthcoming year.

As shown in the profit and loss account, the group's revenue for the year ended 30 June 2021 was £38,016,751 compared to £32,884,062 in the year ended 30 June 2020; an overall increase of 15.6%. The group's other key performance indicator of its operations is gross margin, which has increased to 41.8% (2020: 41.1%).

Operating profit was £3,926,400 for the year to 30 June 2021 compared to an operating profit of £2,485,010 for the year to 30 June 2020, although included are exceptional items totalling £590,903 (2020: £1,157,957).

At 30 June 2021 the group had net assets of £12,726,047 (2020: £10,295,573).

During the year, the company granted nil (2020: 236,111) share options resulting in the company recognising a total share based payment expense of £294,352 (2020: £294,352) due to prior year share options being vested over a 3 year period.

#### **Principal risks and uncertainties**

The group operates in a competitive market which is a continuing risk to the group and could result in losing sales to its key competitors. The group manages this risk by focusing on quality of service.

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk.

#### **Cash flow risk**

The group's activities expose it to the financial risks of changes in foreign currency exchange rates. The group has a reasonable degree of natural hedging between foreign monetary assets and liabilities. In addition the group uses forward contracts to further mitigate the impact of foreign currency impacts.

#### **Credit Risk**

The group's principal financial assets are cash, and trade and other receivables.

The group's credit risk is primarily attributed to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long term equity and short term debt finance.

**TXO SYSTEMS LTD**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2021**

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**Going concern**

The continuation of the COVID-19 pandemic and the associated impact on resource restrictions, supply chain and economic trading conditions have been considered within the going concern basis.

Whilst the previous year of trading included the adoption of many different working practices and restrictions required to manage the pandemic, these adoptions quickly settled to a new alternative way of trading and operating. Priority has remained during this period to provide a high level of continuity regards safety of staff and the ongoing quality of fulfilment across our global locations. A continuous improvement and change of internal policy in line with local government specific guidelines has remained, with focus and communication by Group QHSE resources and divisional management. Whilst internally our own processes and procedures have had to adapt we are positively assured by the likewise adaption our 3rd party supply base, our various service providers, and importantly how our customer base have positively embraced these challenges and reverted to a new-normal way of trading. The dilution and lifting of such restrictions when safe to do so will leave a positive change in working practices and greater flexibility to continue Group strategy delivery.

Group financial performance of Service related activities (value added services and field related activities) have continued to grow adding greater levels of reoccurring and contracted revenues. Whilst our customer base initially restricted some non-essential field activity for safe-working reasons these activities have not impacted financial performance and are now predominantly returned to pre pandemic levels with added opportunity of catch-up schedules created over the past 2 years. In parallel the demand for Product from our customer base has continued to grow both in geographic-spread and volume. Our ongoing investment into intelligent software to manage and monitor our stock performance has enabled growth in this area whilst concurrently achieving greater efficiencies in our stock holding. This has consequently enabled growth and protection of our cash reserves.

With sustainability and the circular-economy being at the core of our business activities, both now and historically, we are excited by the ever growing public voice and environmental focus that is drawing extra attention and gravitas to this important subject. We are witnessing a gear change in our customers behavior with a growing proactiveness towards the adoption of more sustainable supply chains and the various ways in which TXO enables and facilitates such positive changes. In turn we are seeing continuing increased volume throughput amongst our operations and have therefore begun a new operational investment into Northern Europe which will shortly come online to service a growing local customer base.

The Board remains very positive that as a critical product and service provider to a global communications customer base that it has not been negatively impacted by the global pandemic and associated economic conditions. With continuous investment and diversification throughout the foundation for stable growth continues to align with the strategy agreed.

As such the Board is pleased to state that its assessment is that the going concern basis remains appropriate.

On behalf of the board

Mr S G Griffiths  
**Director**

31 March 2022

**TXO SYSTEMS LTD**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

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

**Principal activities**

The principal activity of the company and group continued to be that of selling telecom equipment.

**Results and dividends**

The results for the year are set out on page 8.

Interim ordinary dividends were paid amounting to £800,971. The directors do not recommend payment of a further dividend.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs R Ockenden  
Mr A Ockenden  
Mrs A Pritchard  
Mr C Coakley  
Mr D L Pearce  
Mr S G Griffiths

**Auditor**

UHY Hacker Young have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr S G Griffiths  
**Director**

31 March 2022

**TXO SYSTEMS LTD**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2021**

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The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**TXO SYSTEMS LTD**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF TXO SYSTEMS LTD**

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**Opinion**

We have audited the financial statements of TXO Systems Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 group's and the parent company's affairs as at 30 June 2021 and of the group's 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 UK, including the FRC'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 group's and parent 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.

**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.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our 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.

**TXO SYSTEMS LTD**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF TXO SYSTEMS LTD**

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**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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, 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 parent 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.

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.

Our approach to identifying and assessing the risks of material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the relevant sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006;
- we assessed the extent of compliance with laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatements, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

**TXO SYSTEMS LTD**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF TXO SYSTEMS LTD**

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To address risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from the financial statements, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

**Mr John Griffiths (Senior Statutory Auditor)**  
**For and on behalf of UHY Hacker Young**

31 March 2022

**Chartered Accountants**  
**Statutory Auditor**

Newport  
South Wales  
United Kingdom

**TXO SYSTEMS LTD**

**GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2021**

		Excluding exceptional items 2021	Exceptional items 2021 (Note 5)	Total 2021	Excluding exceptional items 2020	Exceptional items 2020 (Note 5)	Total 2020
	Notes	£	£	£	£	£	£
<b>Turnover</b>	3	38,016,751	-	38,016,751	32,884,062	-	32,884,062
Cost of sales		(22,113,413)	-	(22,113,413)	(18,807,872)	(567,054)	(19,374,926)
<b>Gross profit</b>		15,903,338	-	15,903,338	14,076,190	(567,054)	13,509,136
Administrative expenses		(11,678,648)	(590,903)	(12,269,551)	(10,547,034)	(590,903)	(11,137,937)
Other operating income		292,613	-	292,613	113,811	-	113,811
<b>Operating profit</b>	4	4,517,303	(590,903)	3,926,400	3,642,967	(1,157,957)	2,485,010
Interest receivable and similar income	9	6,603	-	6,603	13,359	-	13,359
Interest payable and similar expenses	10	(4,368)	-	(4,368)	(3,445)	-	(3,445)
<b>Profit before taxation</b>		4,519,538	(590,903)	3,928,635	3,652,881	(1,157,957)	2,494,924
<b>Tax on profit</b>	11	(608,957)	-	(608,957)	(865,959)	-	(865,959)
<b>Profit for the financial year</b>		3,910,581	(590,903)	3,319,678	2,786,922	(1,157,957)	1,628,965

Profit for the financial year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**TXO SYSTEMS LTD**

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

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	<b>2021</b>	<b>2020</b>
	£	£
<b>Profit for the year</b>	3,319,678	1,628,965
<b>Other comprehensive income</b>		
Currency translation differences	(382,585)	(213,500)
<b>Total comprehensive income for the year</b>	<u>2,937,093</u>	<u>1,415,465</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

**TXO SYSTEMS LTD**  
**GROUP BALANCE SHEET**  
**AS AT 30 JUNE 2021**

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	13		2,347,745		2,644,296
Other intangible assets	13		246,861		178,020
			<u>2,594,606</u>		<u>2,822,316</u>
Total intangible assets					
Tangible assets	14		718,961		748,748
			<u>3,313,567</u>		<u>3,571,064</u>
<b>Current assets</b>					
Stocks	18	1,405,880		1,557,263	
Debtors	19	11,918,471		9,265,824	
Cash at bank and in hand		6,382,412		5,065,862	
			<u>19,706,763</u>		<u>15,888,949</u>
<b>Creditors: amounts falling due within one year</b>	20	(9,890,668)		(8,613,474)	
			<u>9,816,095</u>		<u>7,275,475</u>
<b>Net current assets</b>					
			<u>13,129,662</u>		<u>10,846,539</u>
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>	21		(251,205)		(439,591)
<b>Provisions for liabilities</b>					
Deferred tax liability	25	152,410		111,375	
			<u>(152,410)</u>		<u>(111,375)</u>
<b>Net assets</b>			<u>12,726,047</u>		<u>10,295,573</u>
<b>Capital and reserves</b>					
Called up share capital	26		18,950		18,950
Capital redemption reserve			1,050		1,050
Profit and loss reserves			12,706,047		10,275,573
			<u>12,726,047</u>		<u>10,295,573</u>
<b>Total equity</b>			<u>12,726,047</u>		<u>10,295,573</u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2022 and are signed on its behalf by:

Mr S G Griffiths  
**Director**

**TXO SYSTEMS LTD****COMPANY BALANCE SHEET**

AS AT 30 JUNE 2021

		2021		2020	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13		76,704		23,378
Tangible assets	14		524,674		539,638
Investments	15		4,272,306		4,272,217
			<u>4,873,684</u>		<u>4,835,233</u>
<b>Current assets</b>					
Stocks	18	570,639		932,341	
Debtors	19	7,107,470		5,676,431	
Cash at bank and in hand		4,533,831		2,724,824	
		<u>12,211,940</u>		<u>9,333,596</u>	
<b>Creditors: amounts falling due within one year</b>	20	(6,319,164)		(5,211,888)	
<b>Net current assets</b>			<u>5,892,776</u>		<u>4,121,708</u>
<b>Total assets less current liabilities</b>			<u>10,766,460</u>		<u>8,956,941</u>
<b>Creditors: amounts falling due after more than one year</b>	21		(251,205)		(269,529)
<b>Provisions for liabilities</b>	25		(99,689)		(88,530)
<b>Net assets</b>			<u>10,415,566</u>		<u>8,598,882</u>
<b>Capital and reserves</b>					
Called up share capital	26		18,950		18,950
Capital redemption reserve			1,050		1,050
Profit and loss reserves			10,395,566		8,578,882
<b>Total equity</b>			<u>10,415,566</u>		<u>8,598,882</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £2,323,303 (2020 - £2,051,120 profit).

The financial statements were approved by the board of directors and authorised for issue on 31 March 2022 and are signed on its behalf by:

Mr S G Griffiths  
Director

Company Registration No. 05479601

**TXO SYSTEMS LTD**

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

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 July 2019</b>		18,950	1,050	9,096,213	9,116,213
<b>Year ended 30 June 2020:</b>					
Profit for the year		-	-	1,628,965	1,628,965
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	(213,500)	(213,500)
Total comprehensive income for the year		-	-	1,415,465	1,415,465
Dividends	12	-	-	(530,457)	(530,457)
Credit to equity for equity settled share-based payments	27	-	-	294,352	294,352
<b>Balance at 30 June 2020</b>		18,950	1,050	10,275,573	10,295,573
<b>Year ended 30 June 2021:</b>					
Profit for the year		-	-	3,319,678	3,319,678
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	(382,585)	(382,585)
Total comprehensive income for the year		-	-	2,937,093	2,937,093
Dividends	12	-	-	(800,971)	(800,971)
Credit to equity for equity settled share-based payments	27	-	-	294,352	294,352
<b>Balance at 30 June 2021</b>		18,950	1,050	12,706,047	12,726,047

The capital redemption reserve represents the required transfer in accordance with the Companies Act 2006 following the repurchases of the parent company's own shares out of distributable profits.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

**TXO SYSTEMS LTD**

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

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 July 2019</b>		18,950	1,050	6,763,867	6,783,867
<b>Year ended 30 June 2020:</b>					
Profit and total comprehensive income for the year		-	-	2,051,120	2,051,120
Dividends	12	-	-	(530,457)	(530,457)
Credit to equity for equity settled share-based payments	27	-	-	294,352	294,352
<b>Balance at 30 June 2020</b>		18,950	1,050	8,578,882	8,598,882
<b>Year ended 30 June 2021:</b>					
Profit and total comprehensive income for the year		-	-	2,323,303	2,323,303
Dividends	12	-	-	(800,971)	(800,971)
Credit to equity for equity settled share-based payments	27	-	-	294,352	294,352
<b>Balance at 30 June 2021</b>		18,950	1,050	10,395,566	10,415,566

The capital redemption reserve represents the required transfer in accordance with the Companies Act 2006 following the repurchases of the company's own shares out of distributable profits.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

**TXO SYSTEMS LTD**

**GROUP STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021		2020	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	3,741,373		3,928,498	
Interest paid		(4,368)		(3,445)	
Income taxes paid		(1,005,056)		(137,846)	
<b>Net cash inflow from operating activities</b>		<u>2,731,949</u>		<u>3,787,207</u>	
<b>Investing activities</b>					
Purchase of intangible assets		(179,251)		(135,530)	
Purchase of tangible fixed assets		(165,856)		(491,470)	
Proceeds on disposal of tangible fixed assets		-		23	
Interest received		6,603		13,359	
<b>Net cash used in investing activities</b>		<u>(338,504)</u>		<u>(613,618)</u>	
<b>Financing activities</b>					
Proceeds of new bank loans		-		173,431	
Repayment of bank loans		(173,431)		-	
Payment of finance leases obligations		(102,493)		205,468	
Dividends paid to equity shareholders		(800,971)		(530,457)	
<b>Net cash used in financing activities</b>		<u>(1,076,895)</u>		<u>(151,558)</u>	
<b>Net increase in cash and cash equivalents</b>		<u>1,316,550</u>		<u>3,022,031</u>	
Cash and cash equivalents at beginning of year		5,065,862		2,043,831	
<b>Cash and cash equivalents at end of year</b>		<u><u>6,382,412</u></u>		<u><u>5,065,862</u></u>	

## TXO SYSTEMS LTD

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

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#### **1 Accounting policies**

##### **Company information**

TXO Systems Ltd (“the company”) is a private limited company domiciled and incorporated in England and Wales. The registered office is Finance & Administration Department, Unit 3, Severn Cross Distribution Park, Newhouse Farm Industrial Estate, Chepstow, Monmouthshire, NP16 6UP.

The group consists of TXO Systems Ltd 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.

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, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 ‘Statement of Financial Position’: Reconciliation of the opening and closing number of shares;
- Section 7 ‘Statement of Cash Flows’: Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instrument Issues’: Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 ‘Share based Payment’: Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 ‘Related Party Disclosures’: Compensation for key management personnel.

The consolidated financial statements incorporate those of TXO Systems Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 30 June 2021. 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.

##### **1.2 Going concern**

The Board remains positive that as a critical product and service provider to a globally spread telecommunication infrastructure customer base, that has not been unduly impacted by multiple recent events, that continuing trade remains protected and positive. As such the board’s assessment is that the going concern basis remains appropriate.

**TXO SYSTEMS LTD**

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

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**1 Accounting policies** **(Continued)**

**1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

**1.4 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.

**1.5 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.

**1.6 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.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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:

Development costs	3 years
Domain name	10 years
Website costs	10 years

**1.7 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.

**TXO SYSTEMS LTD**

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

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**1 Accounting policies** **(Continued)**

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:

Short leasehold	10% and 33% straight line
Plant and machinery	33% straight line
Fixtures and fittings	10%, 20% and 33% straight line
Motor vehicles	16% and 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.

**1.8 Fixed asset investments**

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. The investments are assessed for impairment at each reporting date and any impairment losses are recognised immediately in profit or loss.

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.

**1.9 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**1.10 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.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

**1.11 Equity instruments**

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

**TXO SYSTEMS LTD**

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

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**1 Accounting policies**

**(Continued)**

**1.12 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.

**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.

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.

**1.13 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.

**1.14 Retirement benefits**

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

**TXO SYSTEMS LTD**

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

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**1 Accounting policies**

**(Continued)**

**1.15 Share-based payments**

The group has issued equity-settled share options to certain employees.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. A corresponding adjustment is made to equity.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**1.16 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**1.18 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.

**TXO SYSTEMS LTD**

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

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**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.

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

**Stock valuation**

At the year end the group had stock of £1,405,880 (2020: £1,557,263). As noted at 1.9 above, stocks are valued at the lower of cost and estimated selling price. The allocation of cost involves considerable exercise of judgement because elements of stock are bought as a "bundle" of many components and it is not practicable to accurately allocate cost to individual components. The board believes that this is the most appropriate way of accounting for stock, however this involves considerable management judgement.

**Revenue recognition**

As noted in 1.3 above, revenue from contracts is recognised by reference to the stage of completion, this inevitably involves the directors making estimates about the total anticipated costs of contracts and the future costs; these estimates can have a significant effect on revenue recognition and profit.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

**Stock provision**

At the year end the group had stock of £1,405,880 (2020: £1,557,263). As noted at 1.9 above, stocks are valued at the lower of cost and estimated selling price (Net Realisable Value). The NRV includes management's estimate of the provision required for slow moving or obsolete stock. Provision is made for all components that have been held in stock for twelve months or more. The total provision at 30 June 2021 was £1,704,028 (2020: £1,749,849). The board believes that this is the most appropriate way of accounting for stock, however this involves considerable estimation uncertainty.

**Development costs**

Development costs are capitalised when the directors believe that the technical, commercial and financial feasibility can be demonstrated. At 30 June 2021 £784,264 (30 June 2020: £662,288) of development costs had been capitalised.

Capitalised development costs are being amortised over 3 years.

The assessment of technical, commercial and financial feasibility involves significant judgement. The choice of useful economic life also includes significant judgement and the choice of life can have a significant effect on the company's results.

**TXO SYSTEMS LTD**

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

**3 Turnover and other revenue**

An analysis of the group's turnover is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by class of business</b>		
Product sales	29,720,733	26,397,038
Services	8,296,018	6,487,024
	<u>38,016,751</u>	<u>32,884,062</u>
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Other significant revenue</b>		
Interest income	6,603	13,359
Grants received	284,796	103,201
	<u>290,400</u>	<u>116,560</u>
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by geographical market</b>		
United Kingdom and Europe	22,732,336	16,301,535
United States of America	6,457,341	8,122,310
Rest of World	8,827,074	8,460,217
	<u>38,016,751</u>	<u>32,884,062</u>

**4 Operating profit**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	121,099	(75,540)
Government grants	(284,796)	(103,201)
Depreciation of owned tangible fixed assets	218,168	256,014
Depreciation of tangible fixed assets held under finance leases	96,196	19,616
Amorisation of intangible assets	406,961	417,319
Cost of stocks recognised as an expense	17,773,576	15,489,880
Exceptional items (see note 5)	590,903	1,157,957
Operating lease charges	792,156	745,602
	<u>18,612,143</u>	<u>16,988,047</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £121,099 (2020 - £75,540).

**TXO SYSTEMS LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021**

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<b>5</b>	<b>Exceptional costs/(income)</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
	Additional provision for loss on contract	-	567,054
	Share based payments	294,352	294,352
	Goodwill amortisation	296,551	296,551
		<hr/>	<hr/>
	Total exceptional costs included within operating profit	590,903	1,157,957
		<hr/>	<hr/>
	Total exceptional costs	590,903	1,157,957
		<hr/> <hr/>	<hr/> <hr/>

During the year, the group recognised a loss provision of £nil (2020: £567,054) on a contract which subsequently completed post year end.

Share based payments of £294,352 (2020: £294,352) from share options granted in the previous year but vested over a 3 year period were incurred by the Group.

Goodwill amortisation of £296,551 (2020: £296,551) in relation to the acquisition of subsidiary MMX Communications Services Limited was incurred during the year.

<b>6</b>	<b>Auditor's remuneration</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
	Fees payable to the company's auditor and associates:		
		<hr/>	<hr/>
	<b>For audit services</b>		
	Audit of the financial statements of the group and company	16,000	16,000
	Audit of the financial statements of the company's subsidiaries	16,750	16,750
		<hr/>	<hr/>
		32,750	32,750
		<hr/> <hr/>	<hr/> <hr/>
	<b>For other services</b>		
	Taxation compliance services	2,000	2,000
	Other taxation services	9,909	1,279
	All other non-audit services	3,270	4,558
		<hr/>	<hr/>
		15,179	7,837
		<hr/> <hr/>	<hr/> <hr/>

**TXO SYSTEMS LTD**

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

**7 Employees**

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

	<b>Group 2021 Number</b>	<b>2020 Number</b>	<b>Company 2021 Number</b>	<b>2020 Number</b>
Sales staff	40	42	21	23
Warehouse staff	95	96	51	53
Finance and administration staff	60	61	36	35
Field operation staff	19	18	-	-
Total	<u>214</u>	<u>217</u>	<u>108</u>	<u>111</u>

Their aggregate remuneration comprised:

	<b>Group 2021 £</b>	<b>2020 £</b>	<b>Company 2021 £</b>	<b>2020 £</b>
Wages and salaries	10,001,453	8,654,609	5,167,329	4,657,391
Social security costs	942,604	772,397	535,674	453,748
Pension costs	366,144	316,226	203,292	171,705
	<u>11,310,201</u>	<u>9,743,232</u>	<u>5,906,295</u>	<u>5,282,844</u>

**8 Directors' remuneration**

	<b>2021 £</b>	<b>2020 £</b>
Remuneration for qualifying services	832,260	727,345
Company pension contributions to defined contribution schemes	74,033	28,232
	<u>906,293</u>	<u>755,577</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	<b>2021 £</b>	<b>2020 £</b>
Remuneration for qualifying services	453,426	388,337
Company pension contributions to defined contribution schemes	16,958	15,602
	<u>470,384</u>	<u>403,939</u>

**TXO SYSTEMS LTD**

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

**9 Interest receivable and similar income**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Interest income</b>		
Interest on bank deposits	6,603	13,359
	<u>6,603</u>	<u>13,359</u>

**10 Interest payable and similar expenses**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Interest on bank overdrafts and loans	2,600	4,307
Interest on finance leases and hire purchase contracts	1,487	695
Other interest	281	(1,557)
	<u>4,368</u>	<u>3,445</u>
Total finance costs	<u>4,368</u>	<u>3,445</u>

**11 Taxation**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	529,799	378,918
Adjustments in respect of prior periods	(160,379)	5,882
	<u>369,420</u>	<u>384,800</u>
Total UK current tax	<u>369,420</u>	<u>384,800</u>
Foreign current tax on profits for the current period	197,975	446,552
	<u>567,395</u>	<u>831,352</u>
Total current tax	<u>567,395</u>	<u>831,352</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	32,635	34,607
Changes in tax rates	7,499	-
Adjustment in respect of prior periods	1,428	-
	<u>41,562</u>	<u>34,607</u>
Total deferred tax	<u>41,562</u>	<u>34,607</u>
Total tax charge	<u>608,957</u>	<u>865,959</u>

**TXO SYSTEMS LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021****11 Taxation****(Continued)**

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit before taxation	3,928,635	2,494,924
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	746,441	474,036
Tax effect of expenses that are not deductible in determining taxable profit	112,030	113,720
Tax effect of income not taxable in determining taxable profit	(533)	-
Tax effect of utilisation of tax losses not previously recognised	4,938	-
Adjustments in respect of prior years	(158,946)	5,882
Effect of change in corporation tax rate	7,499	6,585
Permanent capital allowances in excess of depreciation	(33,469)	18,500
Depreciation on assets not qualifying for tax allowances	3,153	2,562
Research and development tax credit	(87,333)	-
Other non-reversing timing differences	703	-
Effect of overseas tax rates	(16,020)	264,941
Revenue items capitalised	30,494	(20,267)
Taxation charge	608,957	865,959
<b>12 Dividends</b>	<b>2021</b>	<b>2020</b>
Recognised as distributions to equity holders:	<b>£</b>	<b>£</b>
Interim paid	800,971	530,457

**TXO SYSTEMS LTD**

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

**13 Intangible fixed assets**

<b>Group</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Domain name costs</b>	<b>Website costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 July 2020	2,965,514	286,917	23,378	-	3,275,809
Additions	-	121,976	-	57,275	179,251
At 30 June 2021	2,965,514	408,893	23,378	57,275	3,455,060
<b>Amortisation and impairment</b>					
At 1 July 2020	321,218	132,275	-	-	453,493
Amortisation charged for the year	296,551	106,461	2,338	1,611	406,961
At 30 June 2021	617,769	238,736	2,338	1,611	860,454
<b>Carrying amount</b>					
At 30 June 2021	2,347,745	170,157	21,040	55,664	2,594,606
At 30 June 2020	2,644,296	154,642	23,378	-	2,822,316
<b>Company</b>			<b>Domain name costs</b>	<b>Website costs</b>	<b>Total</b>
			<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 July 2020			23,378	-	23,378
Additions			-	57,275	57,275
At 30 June 2021			23,378	57,275	80,653
<b>Amortisation and impairment</b>					
At 1 July 2020			-	-	-
Amortisation charged for the year			2,338	1,611	3,949
At 30 June 2021			2,338	1,611	3,949
<b>Carrying amount</b>					
At 30 June 2021			21,040	55,664	76,704
At 30 June 2020			23,378	-	23,378

TXO SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021

**14 Tangible fixed assets**

<b>Group</b>	<b>Short leasehold</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 July 2020	304,802	294,105	1,198,375	248,601	2,045,883
Additions	-	11,973	141,171	138,966	292,110
Exchange adjustments	(1,391)	(6,778)	(25,027)	-	(33,196)
At 30 June 2021	303,411	299,300	1,314,519	387,567	2,304,797
<b>Depreciation and impairment</b>					
At 1 July 2020	206,736	239,510	831,273	19,616	1,297,135
Depreciation charged in the year	27,381	40,381	170,009	76,593	314,364
Exchange adjustments	(163)	(6,257)	(19,243)	-	(25,663)
At 30 June 2021	233,954	273,634	982,039	96,209	1,585,836
<b>Carrying amount</b>					
At 30 June 2021	69,457	25,666	332,480	291,358	718,961
At 30 June 2020	98,066	54,595	367,102	228,985	748,748
<b>Company</b>					
	<b>Short leasehold</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 July 2020	231,779	227,635	878,444	248,600	1,586,458
Additions	-	10,382	69,419	138,966	218,767
At 30 June 2021	231,779	238,017	947,863	387,566	1,805,225
<b>Depreciation and impairment</b>					
At 1 July 2020	175,776	189,955	661,473	19,616	1,046,820
Depreciation charged in the year	18,496	34,081	104,561	76,593	233,731
At 30 June 2021	194,272	224,036	766,034	96,209	1,280,551
<b>Carrying amount</b>					
At 30 June 2021	37,507	13,981	181,829	291,357	524,674
At 30 June 2020	56,003	37,680	216,971	228,984	539,638

**TXO SYSTEMS LTD**

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

**14 Tangible fixed assets** **(Continued)**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	<b>Group</b>	<b>2020</b>	<b>Company</b>	<b>2020</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Motor vehicles	290,604	228,984	290,604	228,984
	<u>290,604</u>	<u>228,984</u>	<u>290,604</u>	<u>228,984</u>

**15 Fixed asset investments**

		<b>Group</b>	<b>2020</b>	<b>Company</b>	<b>2020</b>
	<b>Notes</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Investments in subsidiaries	16	-	-	4,272,306	4,272,217
		<u>-</u>	<u>-</u>	<u>4,272,306</u>	<u>4,272,217</u>

**Movements in fixed asset investments**

<b>Company</b>	<b>Shares in subsidiaries</b>
	<b>£</b>
<b>Cost or valuation</b>	
At 1 July 2020	4,272,217
Additions	89
At 30 June 2021	<u>4,272,306</u>
<b>Carrying amount</b>	
At 30 June 2021	<u>4,272,306</u>
At 30 June 2020	<u>4,272,217</u>

**16 Subsidiaries**

Details of the company's subsidiaries at 30 June 2021 are as follows:

<b>Name of undertaking</b>	<b>Country of incorporation</b>	<b>Nature of business</b>	<b>Class of shares held</b>	<b>% Held</b>	
				<b>Direct</b>	<b>Indirect</b>
MMX Communications Services Limited	United Kingdom	Sale of telecom equipment and services	Ordinary A	100.00	0
TXO Systems Inc	United States of America	Sale of telecom equipment	Ordinary	100.00	0
TXO Systems Limitada	Brazil	Sale of telecom equipment	Ordinary	100.00	0
TXO Systems Pty	Australia	Sale of telecom equipment	Ordinary	100.00	0
TXO Systems SAS	France	Sale of telecom equipment	Ordinary	100.00	0

**TXO SYSTEMS LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021****16 Subsidiaries****(Continued)**

The registered office of TXO Systems Inc is 7447 New Ridge Road, Unit A, Hanover, Maryland, 21076, United States of America.

The registered office of TXO Systems Limitada is Rua Joao Guilherme 503, Taroba, CNPJ:18.276.508/000182, Londrina, Parana 86042-290, Brazil.

The registered office of TXO Systems Pty is 95 Pitt Street, Sydney, NSW 2000.

The registered office of MMX Communications Services Limited is Unit 100 Solar Park Highlands Road, Shirley, Solihul, West Midlands, B90 4SH.

The registered office of TXO Systems SAS is Rue Marie Sklodowska Curie, 95150 Taverny, France.

**17 Financial instruments**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	9,351,761	6,766,752	n/a	n/a
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
Measured at amortised cost	9,233,014	6,907,988	n/a	n/a
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

**18 Stocks**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods and goods for resale	1,405,880	1,557,263	570,639	932,341
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

TXO SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021

19 Debtors

	Group 2021	2020	Company 2021	2020
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	5,335,013	5,975,322	1,608,576	2,937,838
Gross amounts owed by contract customers	1,349,038	1,467,939	-	-
Amounts owed by group undertakings	-	-	1,224,814	1,391,855
Other debtors	4,294,212	990,691	4,046,520	930,300
Prepayments and accrued income	800,516	692,180	227,560	416,438
	<u>11,778,779</u>	<u>9,126,132</u>	<u>7,107,470</u>	<u>5,676,431</u>
<b>Amounts falling due after more than one year:</b>				
Other debtors	<u>139,692</u>	<u>139,692</u>	<u>-</u>	<u>-</u>
<b>Total debtors</b>	<u>11,918,471</u>	<u>9,265,824</u>	<u>7,107,470</u>	<u>5,676,431</u>

20 Creditors: amounts falling due within one year

	Group 2021	2020	Company 2021	2020
Notes	£	£	£	£
Bank loans	22	-	3,369	-
Obligations under finance leases	23	117,715	75,630	117,715
Trade creditors		2,437,317	1,708,153	1,383,822
Corporation tax payable		560,366	997,500	152,041
Other taxation and social security		348,493	1,147,577	126,923
Other creditors		1,031,417	890,071	209,242
Accruals and deferred income		5,395,360	3,791,174	4,329,421
		<u>9,890,668</u>	<u>8,613,474</u>	<u>6,319,164</u>

21 Creditors: amounts falling due after more than one year

	Group 2021	2020	Company 2021	2020
Notes	£	£	£	£
Bank loans and overdrafts	22	-	170,062	-
Obligations under finance leases	23	111,514	129,838	111,514
Other creditors		139,691	139,691	139,691
		<u>251,205</u>	<u>439,591</u>	<u>269,529</u>

**TXO SYSTEMS LTD**

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

**22 Loans and overdrafts**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	-	173,431	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Payable within one year	-	3,369	-	-
Payable after one year	-	170,062	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**23 Finance lease obligations**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Future minimum lease payments due under finance leases:				
Within one year	117,715	75,630	117,715	75,630
In two to five years	111,514	129,838	111,514	129,838
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	229,229	205,468	229,229	205,468
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Finance lease payments represent rentals payable by the company or group for certain items of motor vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**24 Retirement benefit schemes**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	366,144	316,226
	<u>          </u>	<u>          </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the year end there were outstanding contributions of £37,835 (2020: £44,608).

**TXO SYSTEMS LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021****25 Deferred taxation**

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Liabilities 2021</b>	<b>Liabilities 2020</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Accelerated capital allowances	156,246	131,009
Tax losses	-	(15,656)
Retirement benefit obligations	(3,836)	(3,978)
	<u>152,410</u>	<u>111,375</u>
	<u><u>152,410</u></u>	<u><u>111,375</u></u>
	<b>Liabilities 2021</b>	<b>Liabilities 2020</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
Accelerated capital allowances	102,313	91,052
Retirement benefit obligations	(2,624)	(2,522)
	<u>99,689</u>	<u>88,530</u>
	<u><u>99,689</u></u>	<u><u>88,530</u></u>
	<b>Group 2021</b>	<b>Company 2021</b>
	<b>£</b>	<b>£</b>
<b>Movements in the year:</b>		
Liability at 1 July 2020	111,375	88,530
Charge to profit or loss	41,035	11,159
	<u>152,410</u>	<u>99,689</u>
Liability at 30 June 2021	<u><u>152,410</u></u>	<u><u>99,689</u></u>

The deferred tax liability set out above relates predominantly to accelerated capital allowances and is expected to reverse over the useful economic lives of the related assets.

**TXO SYSTEMS LTD**

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

**26 Share capital**

	Group and company	
	2021	2020
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
641,496 Ordinary class A of 1p each	6,415	6,415
621,496 Ordinary class B of 1p each	6,215	6,215
460,000 Ordinary class C of 1p each	4,600	4,600
172,008 Ordinary class F of 1p each	1,720	1,720
	<u>18,950</u>	<u>18,950</u>
	<u><u>18,950</u></u>	<u><u>18,950</u></u>

All shares have equal voting rights and rank pari passu.

**27 Share-based payment transactions**

Group and company	Number of share options		Weighted average exercise price	
	2021	2020	2021	2020
	Number	Number	£	£
Outstanding at 1 July 2020	466,111	230,000	6.84	4.30
Granted	-	236,111	-	9.31
	<u>466,111</u>	<u>466,111</u>	<u>6.84</u>	<u>6.84</u>
Outstanding at 30 June 2021	<u>466,111</u>	<u>466,111</u>	<u>6.84</u>	<u>6.84</u>
	<u><u>466,111</u></u>	<u><u>466,111</u></u>	<u><u>6.84</u></u>	<u><u>6.84</u></u>
Exercisable at 30 June 2021	230,000	230,000	6.84	6.84
	<u>230,000</u>	<u>230,000</u>	<u>6.84</u>	<u>6.84</u>

The options outstanding at 30 June 2021 had an exercise price ranging from £1.99 to £9.31 and a remaining contractual life of 2 to 8 years.

During the year, the company granted no share options.

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
<b>Expenses recognised in the year</b>				
Arising from equity settled share based payment transactions	294,352	294,352	294,352	294,352
	<u>294,352</u>	<u>294,352</u>	<u>294,352</u>	<u>294,352</u>
	<u><u>294,352</u></u>	<u><u>294,352</u></u>	<u><u>294,352</u></u>	<u><u>294,352</u></u>

**TXO SYSTEMS LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021****28 Operating lease commitments****Lessee**

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

	<b>Group</b>	<b>2020</b>	<b>Company</b>	<b>2020</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	511,176	511,670	-	-
Between two and five years	1,721,163	1,880,305	-	-
In over five years	203,022	569,415	-	-
	<u>2,435,361</u>	<u>2,961,390</u>	<u>-</u>	<u>-</u>

**29 Related party transactions****Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Aggregate compensation	<u>1,123,848</u>	<u>1,285,781</u>

**TXO SYSTEMS LTD**

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

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**29 Related party transactions**

**(Continued)**

**Other information**

The directors operate a current loan account with the group, which is debited with payments made by the group on behalf of the directors and credited with funds introduced and undrawn directors fees. The total balance outstanding due from the directors at the year end was £33,872 (2020: £6,500 due to), being £33,872 (2020: £6,500 due to) due from Mr A J Ockenden. This amount is included in debtors amounts falling due within one year (2020: creditors amounts falling due within one year). No interest is being charged on the balances stated.

During the year dividends of £371,585 (2020: £269,429) were paid to Mr A J Ockenden, dividends of £179,386 (2020: £261,028) were paid to Mrs R Ockenden and dividends of £250,000 (2020: £nil) were paid to Mrs A Pritchard.

Certain directors operate a pension scheme that owns properties which are rented to the group. During the year £113,142 (2020: £113,864) of rental payments were made to the pension scheme. At the year end the group owed £nil (2020: £34,168) to the Trustees of the TXO Systems Directors Pension Scheme. This is included within trade creditors falling due within one year.

Mr A J Ockenden is the sole owner of ED&O Property Limited that owns properties which are rented by the group. During the year £133,971 (2020: £134,014) of rental payments were made by the group. At the year end the group owed £nil (2020: £40,241) to ED&O Property Limited. This is included within trade creditors falling due within one year.

Endurance Vehicle Solutions Limited, a company ultimately controlled by Mr A J Ockenden has a loan account with the group which is debited with payments made by the group on behalf of Endurance Vehicle Solutions Limited and credited with repayments made. At the year end there was a balance of £1,260,130 (2020: £131,560) outstanding due from Endurance Vehicle Solutions Limited to the group. This is included within debtors amounts falling due within one year.

**30 Controlling party**

The company is ultimately controlled by Mr A J Ockenden, by virtue of his shareholding.

The group is ultimately controlled by Mr A J Ockenden, by virtue of his shareholding.

**TXO SYSTEMS LTD**

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

**31 Cash generated from group operations**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit for the year after tax	3,319,678	1,628,965
<b>Adjustments for:</b>		
Taxation charged	608,957	865,959
Finance costs	4,368	3,445
Investment income	(6,603)	(13,359)
Amorisation and impairment of intangible assets	406,961	417,319
Depreciation and impairment of tangible fixed assets	314,364	275,630
Equity settled share based payment expense	294,352	294,352
Foreign exchange	(375,052)	(211,041)
<b>Movements in working capital:</b>		
Decrease in stocks	151,383	221,459
Increase in debtors	(2,652,647)	(25,942)
Increase in creditors	1,675,612	471,711
<b>Cash generated from operations</b>	<u>3,741,373</u>	<u>3,928,498</u>

**32 Analysis of changes in net funds - group**

	<b>1 July 2020</b>	<b>Cash flows</b>	<b>New finance leases</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	5,065,862	1,316,550	-	6,382,412
Borrowings excluding overdrafts	(173,431)	173,431	-	-
Obligations under finance leases	(205,468)	102,493	(126,254)	(229,229)
	<u>4,686,963</u>	<u>1,592,474</u>	<u>(126,254)</u>	<u>6,153,183</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.