

Company registration number 05479601 (England and Wales)

TXO SYSTEMS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

TXO SYSTEMS LTD

COMPANY INFORMATION

Directors Mrs R Ockenden
Mr A Ockenden
Mrs A Pritchard
Mr C Coakley
Mr D L Pearce
Mr S G Griffiths
Mr D R Williams (Appointed 16 April 2022)

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
Bradbury House
Mission Court
Newport
Gwent
United Kingdom
NP20 2DW

TXO SYSTEMS LTD

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TXO SYSTEMS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

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 2022 was £44,973,166 compared to £38,016,751 in the year ended 30 June 2021; an overall increase of 18.3%. The group's other key performance indicator of its operations is gross margin, which has slightly decreased to 40.9% (2021: 41.8%).

Operating profit was £5,003,242 for the year to 30 June 2022 compared to an operating profit of £3,926,400 for the year to 30 June 2021, although included are exceptional items totalling £619,762 (2021: £590,903).

At 30 June 2022 the group had net assets of £11,760,826 (2021: £12,726,047).

During the year, the company granted 23,850 (2021: nil) share options resulting in the company recognising a total share based payment expense of £323,211 (2021: £294,352) due to prior share options being vested over a 3 year period in addition to the current year granted share options being vested over a 2 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 2022

Going concern

The effects of the COVID-19 pandemic on the national and global economy continued into the year ended 30 June 2022, although pleasingly the impact of the associated restrictions was significantly reduced. Throughout the pandemic, our priority has been to provide a high level of safety for our staff and quality of fulfilment across our global locations. Whilst most of the formal regulations and restrictions have now been relaxed, this remains a focus for the business and the directors will continue to monitor regional government specific guidelines and adapt our internal policies and guidance accordingly.

Many of the changes in working practices that were brought about by the pandemic have also remained and actually provided opportunities for continued growth. The increased focus on remote working and more widespread use of virtual meeting and collaboration tools leaves us better placed to serve our global customer base and deliver on our Group Strategy. The Board remains very positive that, as a critical product and service provider to a global communications customer base, it has not been negatively impacted by the global pandemic and associated economic conditions.

Sustainability and the circular-economy continue to be at the heart of public discourse and represent an increasingly important element of strategy for many of our global clients. Circular economy principles and a focus on sustainability are now at the forefront of many companies' agendas and we remain committed to helping our telecommunications customers in this important area.

We continue to see increased demand for our services and have increased product throughput across our operations, underpinning our continued investment in our operational facilities, most recently with the opening of our new facility in Sweden during 2022. Building on recent investments such as this, the diversification of our product and service offering and a continuous focus on our customers' needs, the directors are confident that the foundations are set to deliver profitable growth in line with the group's agreed strategy.

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

Promoting the success of the company

Section 172 of the Companies Act 2006 requires that directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. The likely consequences of any decision in the long term
- a. The interests of the company's employees
- a. The need to foster the company's business relationships with suppliers, customers and others
- a. The impact of the company's operations on the community and the environment
- a. The desirability of the company maintaining a reputation for high standards of business conduct
- a. The need to act fairly as between members of the company

The directors recognise their responsibilities under the Act and are satisfied they have met their duties regarding these matters.

Our People

In enabling the company to deliver on its aim, the directors acknowledge the importance of recognising the roles that employees play in the success of the company through skill, experience and commitment. Their wellbeing is a priority of the directors in the strategic planning for the future development of the company.

The company encourages all employees to embrace continuous learning of new concepts, skills and behaviours. All employees are provided access to an employee development programme in addition to formal training programmes which are relevant to their roles.

The directors are delighted that the company has ISO 45001 certification, highlighting our commitment to Occupational Health and Safety. We have also been awarded accreditation from Alcumus SafeContractor for achieving excellence in health and safety in the workplace. Alcumus SafeContractor is a leading third party accreditation scheme which recognises extremely rigorous standards in health and safety management amongst contractors. 2 -

TXO SYSTEMS LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

Community and Environment

We are proud to be a circular economy company. Through our products and services, we greatly extend the lifetime of telecommunications equipment and help companies to address their sustainability goals. Whether to mitigate risk, create new opportunities, reduce operating costs or improve brand reputation, we help companies address their sustainability goals and take control of their resources in a way that creates value and helps the environment.

In recognition of our corporate social responsibility (CSR) performance, the directors are pleased to say that we have been awarded a gold rating by global CSR rating agency, EcoVadis. This has been granted for environmentally conscious development and achievements in areas concerning the Environment, Labour and Human Rights, Sustainable Procurement and Ethics. The directors are also pleased that TXO is officially part of the Ellen MacArthur Foundation community, a leading authority on the circular economy.

The directors are also mindful of the impact the company operations may have upon the community environment and incorporate various activities and charitable donations into the strategy the company has, in order to maintain good community relations.

Business Relationships

The company's aim to be the "world's local partner for sustainable communication networks" is attained by the directors' continued decision making on the basis of medium- and long-term strategy, to ensure the company can provide high quality used telecommunications equipment and related services to our customers across the globe.

The directors acknowledge the importance of the company's customers to the continued success of the company and place great emphasis on customer experience whilst doing business with the company, in determining key operational decisions to be made.

Trusted and valued supplier relationships are paramount to ensuring high quality product can be obtained on terms that can satisfy customer demand and the directors are ever-mindful of the need to maintain and enhance good supplier relations in the strategy they deliver for the company. We value all our suppliers with whom we have multi-year relationships and agreements.

Business conduct

As noted above, the company invests heavily in maintaining strong customer and supplier relationships but the directors also recognise the need to ensure the company conducts its business to the highest standard and meets all regulatory and legal requirements. The directors have established appropriate legal, finance and operational teams to ensure that such matters are met.

On behalf of the board

Mr S G Griffiths
Director

31 March 2023

TXO SYSTEMS LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

The directors present their annual report and financial statements for the year ended 30 June 2022.

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 11.

Interim ordinary dividends were paid amounting to £6,000,000. 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
Mr D R Williams

(Appointed 16 April 2022)

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.

Energy and carbon report

The group is classified as a large unquoted company within the Streamlined Energy and Carbon Reporting (SECR) regulations and is therefore required to submit a SECR report as part of its financial statements.

Energy usage covered in this disclosure covers the group's UK activities and is primarily electricity and gas heating usage across our two UK entities. Energy usage has been calculated based on gas and electricity meter readings covering our warehouse operations, recycling operations, office and repair activities. This area of reporting is under development and, as time progresses, we hope to be able to report on the impact of other activities, for example flights, rail travel, waste management and fleet vans.

The group's reporting base year has been set as 1 July 2021 to 30 June 2022 in alignment with its financial reporting period. This shall remain the basis of each subsequent annual report.

TXO SYSTEMS LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

Energy Data

Total energy consumption for the current year is detailed in the table below. Each energy type is quantified in megawatt hours (MWh) with associated Greenhouse Gas (GHG) emissions quantified as tonnes of carbon dioxide equivalent (tCO₂e). GHG emissions for the current year figures were calculated using UK Government 2022 conversion factors.

Current Year tCO₂e and MWh split by fuel type

Energy Type	Current Year	
	tCO ₂ e	MWh
Electricity	95.0	491.4
Gas	69.5	386.3
Total	164.5	877.7

N.B. the Group has switched three of its four UK energy accounts to renewable energy tariffs, with the remaining one expected to go 'green' at its next renewal later in 2023. As this has not yet been fully implemented, the figures above are not adjusted to reflect the renewable elements of our utilities contracts.

Intensity measurement

	Current Year	
	Total Emissions (tCO ₂ e)	
Turnover (£m)	£	44.98
Intensity Ratio (tCO₂e per £m)		3.7

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per £m of revenue.

Measures taken to improve energy efficiency

Reduction of energy consumption is critical to the TXO Group, not only for short- to medium-term cost reduction purposes but also as a central element of long-term carbon reduction and Net Zero strategies to maintain alignment with future legislation imposed by UK Government. The Group aims to be Net Zero by 2040 and, therefore, is focused on measurement of what is being emitted and where we can make immediate savings.

A number of energy reduction projects have been completed throughout manufacturing and office facilities, the most prominent of these being:

Energy tariffs

The group has switched three of its four UK energy accounts to renewable tariffs, with the remaining one expected to go 'green' at its next renewal later in 2023. These tariffs are backed by Renewable Energy Guarantee of Origin certificates (REGOs) and independently verified by EcoAct.

LED lighting

The use of LED lighting across group premises has seen a reduction in usage and increased efficiency over the last 18 months as the programme has accelerated. The lighting at our MMX facility in Solihull is fully LED whilst the conversion at our head office in Chepstow is approximately 80% complete. The remaining 20% still to be upgraded is scheduled for completion in 2023/2024.

Other measures

The group is partnering with two of its key customers who are also undertaking similar sustainability activities at present, this will enable improved alignment with the supply chain both upwards and downwards.

TXO SYSTEMS LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

Future Energy Reduction Plans

Going forward the company shall continue to identify and if feasible implement energy reductions measures as part of its sustainability strategy. This area is under development currently and as time progresses, more initiatives, reporting and management information will be obtained.

A current project consideration is the addition of solar panels to our Chepstow facility, with the installation planned to be completed during 2023. In addition to this the company shall evaluate continuation of the roll-out of LED lighting across our facilities and other initiatives identified through our sustainability and CSR programmes.

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 2023

TXO SYSTEMS LTD

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

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

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 2022 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2022 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 group and parent 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**

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept 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 parent 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.

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 group and parent 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 group and parent 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 group and parent 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**

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 group and parent 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 group and parent 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 2023

Chartered Accountants
Statutory Auditor

Newport
Gwent
United Kingdom

TXO SYSTEMS LTD

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2022**

		Excluding exceptional items	Exceptional items, share based payments	Total	Excluding exceptional items	Exceptional items, share based payments	Total
		2022	and goodwill amortisation 2022 (Note 5)	2022	2021	and goodwill amortisation 2021 (Note 5)	2021
	Notes	£	£	£	£	£	£
Turnover	3	44,978,166	-	44,978,166	38,016,751	-	38,016,751
Cost of sales		(26,597,382)	-	(26,597,382)	(22,113,413)	-	(22,113,413)
Gross profit		18,380,784	-	18,380,784	15,903,338	-	15,903,338
Administrative expenses		(12,757,780)	(619,762)	(13,377,542)	(11,678,648)	(590,903)	(12,269,551)
Other operating income		-	-	-	292,613	-	292,613
Operating profit	4	5,623,004	(619,762)	5,003,242	4,517,303	(590,903)	3,926,400
Interest receivable and similar income	9	14,124	-	14,124	6,603	-	6,603
Interest payable and similar expenses	10	(17,136)	-	(17,136)	(4,368)	-	(4,368)
Profit before taxation		5,619,992	(619,762)	5,000,230	4,519,538	(590,903)	3,928,635
Tax on profit	11	(730,781)	-	(730,781)	(608,957)	-	(608,957)
Profit for the financial year		4,889,211	(619,762)	4,269,449	3,910,581	(590,903)	3,319,678

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 2022**

	2022	2021
	£	£
Profit for the year	4,269,449	3,319,678
Other comprehensive income		
Currency translation gain/(loss) taken to retained earnings	442,119	(382,585)
Total comprehensive income for the year	<u>4,711,568</u>	<u>2,937,093</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 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Goodwill	13		2,051,194		2,347,745
Other intangible assets	13		319,129		246,861
			<u>2,370,323</u>		<u>2,594,606</u>
Total intangible assets					
Tangible assets	14		799,039		718,961
			<u>3,169,362</u>		<u>3,313,567</u>
Current assets					
Stocks	18	1,450,325		1,405,880	
Debtors	19	15,129,543		11,918,471	
Cash at bank and in hand		5,835,583		6,382,412	
		<u>22,415,451</u>		<u>19,706,763</u>	
Creditors: amounts falling due within one year	20	(13,457,387)		(9,890,668)	
Net current assets			<u>8,958,064</u>		<u>9,816,095</u>
Total assets less current liabilities			<u>12,127,426</u>		<u>13,129,662</u>
Creditors: amounts falling due after more than one year	21		(154,913)		(251,205)
Provisions for liabilities					
Deferred tax liability	24	211,687		152,410	
		<u>(211,687)</u>		<u>(152,410)</u>	
Net assets			<u><u>11,760,826</u></u>		<u><u>12,726,047</u></u>
Capital and reserves					
Called up share capital	25		18,950		18,950
Capital redemption reserve			1,050		1,050
Profit and loss reserves			11,740,826		12,706,047
			<u>11,760,826</u>		<u>12,726,047</u>
Total equity			<u><u>11,760,826</u></u>		<u><u>12,726,047</u></u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2023 and are signed on its behalf by:

Mr S G Griffiths
Director

Company registration number 05479601 (England and Wales)

TXO SYSTEMS LTD

COMPANY BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Intangible assets	13		93,653		76,704
Tangible assets	14		511,083		524,674
Investments	15		4,274,324		4,272,306
			<u>4,879,060</u>		<u>4,873,684</u>
Current assets					
Stocks	18	712,300		570,639	
Debtors	19	8,688,291		7,107,470	
Cash at bank and in hand		2,984,048		4,533,831	
			<u>12,384,639</u>		<u>12,211,940</u>
Creditors: amounts falling due within one year	20	(8,406,845)		(6,319,164)	
Net current assets			<u>3,977,794</u>		<u>5,892,776</u>
Total assets less current liabilities			<u>8,856,854</u>		<u>10,766,460</u>
Creditors: amounts falling due after more than one year	21		(154,913)		(251,205)
Provisions for liabilities	24		(138,154)		(99,689)
Net assets			<u><u>8,563,787</u></u>		<u><u>10,415,566</u></u>
Capital and reserves					
Called up share capital	25		18,950		18,950
Capital redemption reserve			1,050		1,050
Profit and loss reserves			8,543,787		10,395,566
Total equity			<u><u>8,563,787</u></u>		<u><u>10,415,566</u></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 £3,825,010 (2021 - £2,323,303 profit).

The financial statements were approved by the board of directors and authorised for issue on 31 March 2023 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 2022**

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 July 2020		18,950	1,050	10,275,573	10,295,573
Year ended 30 June 2021:					
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	26	-	-	294,352	294,352
Balance at 30 June 2021		18,950	1,050	12,706,047	12,726,047
Year ended 30 June 2022:					
Profit for the year		-	-	4,269,449	4,269,449
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	442,119	442,119
Total comprehensive income for the year		-	-	4,711,568	4,711,568
Dividends	12	-	-	(6,000,000)	(6,000,000)
Credit to equity for equity settled share-based payments	26	-	-	323,211	323,211
Balance at 30 June 2022		18,950	1,050	11,740,826	11,760,826

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 2022**

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 1 July 2020	18,950	1,050	8,578,882	8,598,882
Year ended 30 June 2021:				
Profit and total comprehensive income for the year	-	-	2,323,303	2,323,303
Dividends	-	-	(800,971)	(800,971)
Credit to equity for equity settled share-based payments	-	-	294,352	294,352
Balance at 30 June 2021	18,950	1,050	10,395,566	10,415,566
Year ended 30 June 2022:				
Profit and total comprehensive income for the year	-	-	3,825,010	3,825,010
Dividends	-	-	(6,000,000)	(6,000,000)
Credit to equity for equity settled share-based payments	-	-	323,211	323,211
Balance at 30 June 2022	18,950	1,050	8,543,787	8,563,787

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 2022**

		2022		2021	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	30	6,809,196		3,741,373	
Interest paid		(17,136)		(4,368)	
Income taxes paid		(624,136)		(1,005,056)	
		<u>6,167,924</u>		<u>2,731,949</u>	
Net cash inflow from operating activities		6,167,924		2,731,949	
Investing activities					
Purchase of intangible assets		(198,839)		(179,251)	
Purchase of tangible fixed assets		(412,323)		(165,856)	
Interest received		14,124		6,603	
		<u>(597,038)</u>		<u>(338,504)</u>	
Net cash used in investing activities		(597,038)		(338,504)	
Financing activities					
Repayment of bank loans		-		(173,431)	
Payment of finance leases obligations		(117,715)		(102,493)	
Dividends paid to equity shareholders		(6,000,000)		(800,971)	
		<u>(6,117,715)</u>		<u>(1,076,895)</u>	
Net cash used in financing activities		(6,117,715)		(1,076,895)	
Net (decrease)/increase in cash and cash equivalents		(546,829)		1,316,550	
Cash and cash equivalents at beginning of year		6,382,412		5,065,862	
		<u>6,382,412</u>		<u>5,065,862</u>	
Cash and cash equivalents at end of year		<u>5,835,583</u>		<u>6,382,412</u>	

TXO SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022. 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 2022**

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 2022**

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 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 2022**

1 Accounting policies

(Continued)

1.12 Derivatives

The group enters into foreign exchange forward contracts in order to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

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.

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.

1.14 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.

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

1 Accounting policies

(Continued)

1.16 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.

1.17 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.

1.18 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.

1.19 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.

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 £1,450,325 (2021: £1,405,880). 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 £1,450,325 (2021: £1,405,880). 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 2022 was £1,362,273 (2021: £1,704,028). 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 2022 £955,124 (30 June 2021: £784,264) 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 2022**

3 Turnover and other revenue

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

	2022	2021
	£	£
Turnover analysed by class of business		
Product sales	34,602,690	29,720,733
Services	10,375,476	8,296,018
	<u>44,978,166</u>	<u>38,016,751</u>

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom and Europe	27,122,967	22,732,336
United States of America	6,050,877	6,457,341
Rest of World	11,804,322	8,827,074
	<u>44,978,166</u>	<u>38,016,751</u>

	2022	2021
	£	£
Other revenue		
Interest income	14,124	6,603
Grants received	-	284,796
	<u>-</u>	<u>284,796</u>

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	156,847	121,099
Government grants	-	(284,796)
Depreciation of owned tangible fixed assets	247,842	218,168
Depreciation of tangible fixed assets held under finance leases	84,290	96,196
Amorisation of intangible assets	423,122	406,961
Cost of stocks recognised as an expense	21,583,581	17,773,576
Exceptional items (see note 5)	619,762	590,903
Operating lease charges	867,797	792,156
	<u>22,943,388</u>	<u>19,622,153</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 £19,325 (2021 - £121,099).

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

5 Exceptional costs/(income)	2022	2021
	£	£
Share based payments	323,211	294,352
Goodwill amortisation	296,551	296,551
Total exceptional costs included within operating profit	<u>619,762</u>	<u>590,903</u>
Total exceptional costs	<u><u>619,762</u></u>	<u><u>590,903</u></u>

Share based payments of £294,352 (2021: £294,352) from share options granted in the previous year but vested over a 3 year period were incurred by the Group. An additional share based payment of £28,859 (2021: £nil.) from share options granted in the year but vested over a 2 year period was also incurred by the Group.

Goodwill amortisation of £296,551 (2021: £296,551) in relation to the acquisition of subsidiary MMX Communications Services Limited was incurred during the year.

6 Auditor's remuneration	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	18,750	16,000
Audit of the financial statements of the company's subsidiaries	28,000	16,750
	<u>46,750</u>	<u>32,750</u>
For other services		
Taxation compliance services	2,000	2,000
Other taxation services	9,375	9,909
All other non-audit services	5,800	3,270
	<u>17,175</u>	<u>15,179</u>

7 Employees

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

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Sales staff	44	40	21	21
Warehouse staff	102	95	55	51
Finance and administration staff	65	60	36	36
Field operation staff	25	19	-	-
Total	<u>236</u>	<u>214</u>	<u>112</u>	<u>108</u>

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

7 Employees **(Continued)**

Their aggregate remuneration comprised:

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Wages and salaries	9,913,853	10,001,453	5,195,319	5,167,329
Social security costs	1,071,470	942,604	538,105	535,674
Pension costs	360,083	366,144	195,537	203,292
	<u>11,345,406</u>	<u>11,310,201</u>	<u>5,928,961</u>	<u>5,906,295</u>

8 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	604,449	832,260
Company pension contributions to defined contribution schemes	38,760	74,033
	<u>643,209</u>	<u>906,293</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 3).

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

	2022	2021
	£	£
Remuneration for qualifying services	235,627	453,426
Company pension contributions to defined contribution schemes	16,958	16,958
	<u>252,585</u>	<u>470,384</u>

9 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	14,124	6,603
	<u>14,124</u>	<u>6,603</u>

TXO SYSTEMS LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022****10 Interest payable and similar expenses**

	2022	2021
	£	£
Interest on bank overdrafts and loans	7,468	2,600
Interest on finance leases and hire purchase contracts	5,665	1,487
Other interest	4,003	281
	<u>17,136</u>	<u>4,368</u>

11 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	714,463	529,799
Adjustments in respect of prior periods	(23,168)	(160,379)
	<u>691,295</u>	<u>369,420</u>
Total UK current tax	691,295	369,420
Foreign current tax on profits for the current period	(19,791)	197,975
	<u>671,504</u>	<u>567,395</u>
Total current tax	671,504	567,395
Deferred tax		
Origination and reversal of timing differences	22,939	32,635
Changes in tax rates	32,646	7,499
Adjustment in respect of prior periods	3,692	1,428
	<u>59,277</u>	<u>41,562</u>
Total deferred tax	59,277	41,562
Total tax charge	<u>730,781</u>	<u>608,957</u>

TXO SYSTEMS LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022****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:

	2022	2021
	£	£
Profit before taxation	5,000,230	3,928,635
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	950,044	746,441
Tax effect of expenses that are not deductible in determining taxable profit	139,031	112,030
Tax effect of income not taxable in determining taxable profit	(519)	(533)
Tax effect of utilisation of tax losses not previously recognised	-	4,938
Adjustments in respect of prior years	(19,476)	(158,946)
Effect of change in corporation tax rate	33,566	7,499
Permanent capital allowances in excess of depreciation	(26,931)	(33,469)
Depreciation on assets not qualifying for tax allowances	766	3,153
Research and development tax credit	(117,468)	(87,333)
Other non-reversing timing differences	-	703
Other permanent differences	3,318	-
Effect of overseas tax rates	(274,265)	(16,020)
Revenue items capitalised	42,715	30,494
Taxation charge	730,781	608,957
12 Dividends	2022	2021
Recognised as distributions to equity holders:	£	£
Interim paid	6,000,000	800,971

TXO SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

13 Intangible fixed assets

Group	Goodwill	Development costs	Domain names	Website costs	Total
	£	£	£	£	£
Cost					
At 1 July 2021	2,965,514	408,893	23,378	57,275	3,455,060
Additions	-	170,860	1,615	26,364	198,839
At 30 June 2022	2,965,514	579,753	24,993	83,639	3,653,899
Amortisation and impairment					
At 1 July 2021	617,769	238,736	2,338	1,611	860,454
Amortisation charged for the year	296,551	117,143	2,351	7,077	423,122
At 30 June 2022	914,320	355,879	4,689	8,688	1,283,576
Carrying amount					
At 30 June 2022	2,051,194	223,874	20,304	74,951	2,370,323
At 30 June 2021	2,347,745	170,157	21,040	55,664	2,594,606
Company			Domain names	Website costs	Total
			£	£	£
Cost					
At 1 July 2021			23,378	57,275	80,653
Additions			-	26,364	26,364
At 30 June 2022			23,378	83,639	107,017
Amortisation and impairment					
At 1 July 2021			2,338	1,611	3,949
Amortisation charged for the year			2,338	7,077	9,415
At 30 June 2022			4,676	8,688	13,364
Carrying amount					
At 30 June 2022			18,702	74,951	93,653
At 30 June 2021			21,040	55,664	76,704

TXO SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

14 Tangible fixed assets

Group	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 July 2021	303,411	299,300	1,314,519	387,567	2,304,797
Additions	47,532	72,446	292,345	-	412,323
Exchange adjustments	(806)	5,860	21,130	-	26,184
At 30 June 2022	350,137	377,606	1,627,994	387,567	2,743,304
Depreciation and impairment					
At 1 July 2021	233,954	273,634	982,039	96,209	1,585,836
Depreciation charged in the year	21,636	20,013	206,050	84,433	332,132
Exchange adjustments	(115)	5,736	20,676	-	26,297
At 30 June 2022	255,475	299,383	1,208,765	180,642	1,944,265
Carrying amount					
At 30 June 2022	94,662	78,223	419,229	206,925	799,039
At 30 June 2021	69,457	25,666	332,480	291,358	718,961
Company					
Cost					
At 1 July 2021	231,779	238,017	947,863	387,566	1,805,225
Additions	47,532	5,955	169,810	-	223,297
At 30 June 2022	279,311	243,972	1,117,673	387,566	2,028,522
Depreciation and impairment					
At 1 July 2021	194,272	224,036	766,034	96,209	1,280,551
Depreciation charged in the year	17,926	7,204	127,325	84,433	236,888
At 30 June 2022	212,198	231,240	893,359	180,642	1,517,439
Carrying amount					
At 30 June 2022	67,113	12,732	224,314	206,924	511,083
At 30 June 2021	37,507	13,981	181,829	291,357	524,674

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

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.

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Motor vehicles	206,314	290,604	206,314	290,604
	<u>206,314</u>	<u>290,604</u>	<u>206,314</u>	<u>290,604</u>

15 Fixed asset investments

	Group 2022	2021	Company 2022	2021
Notes	£	£	£	£
Investments in subsidiaries	16	-	4,274,324	4,272,306
		<u>-</u>	<u>4,274,324</u>	<u>4,272,306</u>

Movements in fixed asset investments

Company	Shares in subsidiaries £
Cost or valuation	
At 1 July 2021	4,272,306
Additions	2,018
At 30 June 2022	<u>4,274,324</u>
Carrying amount	
At 30 June 2022	<u>4,274,324</u>
At 30 June 2021	<u>4,272,306</u>

16 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Held	
				Direct	Indirect
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 AB	Sweden	Sale of telecom equipment	Ordinary	100.00	0

TXO SYSTEMS LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022****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, Solihull, West Midlands, B90 4SH.

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

The registered office of TXO Systems AB is Skjulstagatan 10, 632 29, Eskilstuna, Sweden.

17 Financial instruments

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	11,576,346	9,351,761	n/a	n/a
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	137,522	-	137,522	-
Measured at amortised cost	12,109,518	9,233,014	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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Finished goods and goods for resale	1,450,325	1,405,880	712,300	570,639
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TXO SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

19 Debtors

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	8,176,814	5,335,013	2,324,880	1,608,576
Gross amounts owed by contract customers	2,370,778	1,349,038	-	-
Amounts owed by group undertakings	-	-	3,006,120	1,224,814
Other debtors	3,546,594	4,294,212	3,142,840	4,046,520
Prepayments and accrued income	895,665	800,516	214,451	227,560
	<u>14,989,851</u>	<u>11,778,779</u>	<u>8,688,291</u>	<u>7,107,470</u>
Amounts falling due after more than one year:				
Other debtors	<u>139,692</u>	<u>139,692</u>	<u>-</u>	<u>-</u>
Total debtors	<u>15,129,543</u>	<u>11,918,471</u>	<u>8,688,291</u>	<u>7,107,470</u>

20 Creditors: amounts falling due within one year

	Group 2022	2021	Company 2022	2021
Notes	£	£	£	£
Obligations under finance leases	22 96,292	117,715	96,292	117,715
Trade creditors	2,385,724	2,437,317	1,305,129	1,383,822
Corporation tax payable	607,734	560,366	426,998	152,041
Other taxation and social security	757,526	348,493	153,566	126,923
Derivative financial instruments	137,522	-	137,522	-
Other creditors	2,581,454	1,031,417	726,310	209,242
Accruals and deferred income	6,891,135	5,395,360	5,561,028	4,329,421
	<u>13,457,387</u>	<u>9,890,668</u>	<u>8,406,845</u>	<u>6,319,164</u>

21 Creditors: amounts falling due after more than one year

	Group 2022	2021	Company 2022	2021
Notes	£	£	£	£
Obligations under finance leases	22 15,222	111,514	15,222	111,514
Other creditors	139,691	139,691	139,691	139,691
	<u>154,913</u>	<u>251,205</u>	<u>154,913</u>	<u>251,205</u>

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

22 Finance lease obligations

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	96,292	117,715	96,292	117,715
In two to five years	15,222	111,514	15,222	111,514
	<u>111,514</u>	<u>229,229</u>	<u>111,514</u>	<u>229,229</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.

23 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	360,083	366,144
	<u>360,083</u>	<u>366,144</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 £56,598 (2021: £37,835).

24 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:

	Liabilities 2022	Liabilities 2021
	£	£
Group		
Accelerated capital allowances	219,216	156,246
Retirement benefit obligations	(5,645)	(3,836)
Unpaid provisions	(1,884)	-
	<u>211,687</u>	<u>152,410</u>

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

24 Deferred taxation	(Continued)	
	Liabilities 2022	Liabilities 2021
Company	£	£
Accelerated capital allowances	141,912	102,313
Retirement benefit obligations	(3,758)	(2,624)
	<u>138,154</u>	<u>99,689</u>
	<u><u>138,154</u></u>	<u><u>99,689</u></u>
	Group 2022	Company 2022
	£	£
Movements in the year:		
Liability at 1 July 2021	152,410	99,689
Charge to profit or loss	59,277	38,465
	<u>211,687</u>	<u>138,154</u>
Liability at 30 June 2022	<u><u>211,687</u></u>	<u><u>138,154</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.

25 Share capital	Group and company	
	2022	2021
	£	£
Ordinary share capital		
Issued and fully paid		
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.

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

26 Share-based payment transactions

Group and company	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 July 2021	466,111	466,111	6.84	6.84
Granted	23,850	-	7.40	-
Outstanding at 30 June 2022	<u>489,961</u>	<u>466,111</u>	<u>6.87</u>	<u>6.84</u>
Exercisable at 30 June 2022	<u>230,000</u>	<u>230,000</u>	<u>4.30</u>	<u>4.30</u>

The options outstanding at 30 June 2022 had an exercise price ranging from £1.99 to £9.31 and a remaining contractual life of 1 to 10 years.

During the year, the company granted 23,850 share options.

Group and company

The fair value of options granted during the year under the unapproved options scheme operated by TXO Systems Ltd was determined using the Black Scholes option price model.

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	<u>323,211</u>	<u>294,352</u>	<u>323,211</u>	<u>294,352</u>

27 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:

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Within one year	621,251	511,176	-	-
Between two and five years	1,501,466	1,721,163	-	-
In over five years	111,469	203,022	-	-
	<u>2,234,186</u>	<u>2,435,361</u>	<u>-</u>	<u>-</u>

TXO SYSTEMS LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022	2021
	£	£
Aggregate compensation	857,055	1,123,848

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 £nil (2021: £33,872 being due from Mr A J Ockenden).

During the year dividends of £2,250,000 (2021: £371,585) were paid to Mr A J Ockenden, dividends of £2,250,000 (2021: £179,386) were paid to Mrs R Ockenden and dividends of £1,500,000 (2021: £250,000) were paid to Mrs A Pritchard.

Certain directors operate a pension scheme that owns properties which are rented to the group. During the year £113,893 (2021: £113,142) of rental payments were made to the pension scheme. At the year end the group owed £34,168 (2021: £nil) to the Trustees of the TXO Systems Directors Pension Scheme. This is included within other 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 £134,916 (2021: £133,971) of rental payments were made by the group. At the year end the group owed £41,471 (2021: £nil) 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 £nil (2021: £1,260,130) outstanding due from Endurance Vehicle Solutions Limited to the group.

29 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 2022**

30 Cash generated from group operations

	2022	2021
	£	£
Profit for the year after tax	4,269,449	3,319,678
Adjustments for:		
Taxation charged	730,781	608,957
Finance costs	17,136	4,368
Investment income	(14,124)	(6,603)
Fair value loss on derivatives	137,522	-
Amorisation and impairment of intangible assets	423,122	406,961
Depreciation and impairment of tangible fixed assets	332,132	314,364
Equity settled share based payment expense	323,211	294,352
Foreign exchange	442,232	(375,052)
Movements in working capital:		
(Increase)/decrease in stocks	(44,445)	151,383
Increase in debtors	(3,211,072)	(2,652,647)
Increase in creditors	3,403,252	1,675,612
Cash generated from operations	<u>6,809,196</u>	<u>3,741,373</u>

31 Analysis of changes in net funds - group

	1 July 2021	Cash flows	30 June 2022
	£	£	£
Cash at bank and in hand	6,382,412	(546,829)	5,835,583
Obligations under finance leases	(229,229)	117,715	(111,514)
	<u>6,153,183</u>	<u>(429,114)</u>	<u>5,724,069</u>

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