

Registered number: 05774162 (England and Wales)

X2X LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

X2X LIMITED

COMPANY INFORMATION

Directors	A Dachs E Dachs D Duncan T G Ramleth
Registered number	05774162
Registered office	60 Poland Street London W1F 7NT
Independent auditors	ZEDRA Corporate Reporting Services (UK) Limited

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Introduction

The directors present their report and the audited financial statements of X2X Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2022.

Principal activity

The principal activity of the Group in the year under review was that of research and development ("R&D") of new products and services. The Group continued to sell its developed hardware and software technologies (SaaS) to the world's leading companies in the feature film, television, and streaming entertainment market.

Business review

As the Group continued to recover from the global COVID-19 pandemic, as was the case in 2022, the Group has increased turnover. The Group continued to focus on global expansion and a result revenue increased whilst expenses remained well managed.

The Group continues to equalise the yearly cycle of research and development versus volume sales by strategically developing solutions that add to the Group's capabilities. The Group has been primarily driven by international expansion to hire and retain talent and to reduce external spending with third parties where possible.

Principal risks and uncertainties

The principal risks and uncertainties facing the business include foreign exchange risk, liquidity risk and risk resulting from its ability to continue to develop new products, as well as risks from disasters such as an international pandemic such as COVID-19. In common with businesses of similar size, these risks are managed by the Board and reviewed on an ongoing basis along with Disaster Recovery Plans that the Board is responsible for.

COVID-19:

The Group was able to mitigate financial pressures caused by the coronavirus through strong recovering sales in 2022. The main pressures caused by the pandemic have been managed as the business is continuing operations internationally. Operations in the Group's offices remain at full productivity. There is uncertainty surrounding any future restrictions that might be imposed by the UK government and guidelines that could impact operations going forward. In addition, there is still some uncertainty in the global economy which may affect the Group after the balance sheet date.

Foreign exchange risk:

The Group is exposed to foreign exchange risk due to sales, purchases and cash transfers between currencies, primarily GBP, EUR and USD. The Group manages this risk by tracking exchange rates and having appropriate deposit accounts in foreign currencies.

Liquidity risk:

The Group is financed with appropriate cash levels and financing to match the needs of the business.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

New product development:

In order to mitigate this, and other risks, the Group continues to expand its activities into new territories and broaden its offering of products for the global market. X2X has become the "go to" company for secure recording media and collaboration solutions within the filmed entertainment industry with an unmatched tenure of service provided by the Group. Directors are focused on maintaining this position as a market leader through continual development and innovation and investment in R&D as necessary to support future offerings.

Financial key performance indicators

The key financial indicators, used by management to monitor performance and assess risk are sales volume, profitability against sales, and free cash flow generated from operations.

Sales volume:

The Group has recorded £24m turnover for the fiscal year ended 31 December 2022 compared to £10m over the fiscal year ended 31 December 2021. The turnover rate was consistent with the Group's recovery from the impact of the COVID-19 pandemic on clients and the projects they produce as well as an emphasis on expanding into global markets, as highlighted by sales made outside of the United Kingdom

Profitability against sales:

The Group profit for the year, after taxation, amounted to £1.9m compared to a 2021 loss of £2.3m. The profits were expected by the Group and investment in R&D for future products continues to remain a priority.

Free cash flow generated from operations:

The Group generated £4.5m in free cash flows from its operations during the year. This was an increase of £3.8m compared to the previous year. This indicates strong growth from operating activities.

Other key performance indicators

2022 was a year of growth along with continued R&D for new products. The Group has also continued to strategically hire internationally in locations where client demands increase. Overall, the Group has optimized costs and continues to increase efficiency where required.

The wider group has a programme of continuous investment in its product development activities, SaaS services, and considerable technical staff effort applied to developing the next generation systems internationally for our clients that we serve in more than 85 countries around the world.

This report was approved by the board on 17 April 2023 and signed on its behalf.

T G Ramleth
Director

E Dachs
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022. In accordance with s414c (11) of the Companies Act 2006, certain information that is required to be included in the Directors' Report has been otherwise included in the Strategic Report.

Directors

The directors who served during the year were:

A Dachs
E Dachs
D Duncan
T G Ramleth

Results and dividends

The profit for the year, after taxation, amounted to £1,884,719 (2021 - loss £2,276,382).

No dividends were declared, paid or payable during the reporting period (2021 - £nil).

Future developments and research and development activities

The directors intend to continue investing in the Group's R&D activities and increase revenues via global expansion into foreign markets.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There were no adjusting or non-adjusting events occurring between the end of the reporting period and the date these financial statements were approved.

This report was approved by the board and signed on its behalf.

T G Ramleth
Director

Date: 17 April 2023

E Dachs
Director

Date: 17 April 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF X2X LIMITED

Opinion

We have audited the financial statements of X2X Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF X2X LIMITED (CONTINUED)

Other information

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 set out on page 8, 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 Group's and 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF X2X LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 Group 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 misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the responsible individual 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;
- 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, taxation and employment legislation;
- we assessed the extent of compliance with the 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 misstatement, 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

We identified that fraud risk in relation to revenue recognition is a significant risk in line with ISA 240 and designed and implemented appropriate audit procedures in this area. Audit procedures included but were not limited to substantive testing from customer contracts, reviewing the bank for large or unusual transactions external to the normal customer base, obtaining confirmations directly from customers and performing appropriate year end cut off testing.

To address the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF X2X LIMITED (CONTINUED)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 Auditors' 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.

Dominic King ACA (Senior Statutory Auditor)
for and on behalf of
ZEDRA Corporate Reporting Services (UK) Limited
Chartered Accountants and Statutory Auditors
New Penderel House
4th Floor
283-288 High Holborn
London
United Kingdom
WC1V 7HP

Date: 18 April 2023

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	24,269,422	9,965,748
Cost of sales		(10,455,869)	(4,100,186)
Gross profit		13,813,553	5,865,562
Distribution costs		(11,084)	(29,981)
Administrative expenses		(11,888,059)	(8,084,792)
Operating profit/(loss)	5	1,914,410	(2,249,211)
Interest payable and similar expenses	8	(29,691)	(27,171)
Profit/(loss) before taxation		1,884,719	(2,276,382)
Profit/(loss) for the financial year		1,884,719	(2,276,382)
Currency translation differences		11,643	980
Other comprehensive income for the year		11,643	980
Total comprehensive income/(loss) for the year		1,896,362	(2,275,402)
Profit/(loss) for the year attributable to:			
Owners of the parent Company		1,884,719	(2,276,382)
		1,884,719	(2,276,382)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent Company		1,896,362	(2,275,402)
		1,896,362	(2,275,402)

The notes on pages 23 to 38 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Goodwill	11	228,656	264,291
Tangible assets	12	680,858	995,314
		<u>909,514</u>	<u>1,259,605</u>
Current assets			
Stocks	14	6,378,059	2,710,412
Debtors: amounts falling due after more than one year	15	84,150	84,150
Debtors: amounts falling due within one year	15	1,741,191	1,052,607
Bank and cash balances		4,681,246	453,106
		<u>12,884,646</u>	<u>4,300,275</u>
Creditors: amounts falling due within one year	16	(12,680,647)	(6,268,502)
Net current assets/(liabilities)		<u>203,999</u>	<u>(1,968,227)</u>
Total assets less current liabilities		<u>1,113,513</u>	<u>(708,622)</u>
Creditors: amounts falling due after more than one year	17	(191,304)	(265,531)
Net assets/(liabilities)		<u><u>922,209</u></u>	<u><u>(974,153)</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Capital and reserves			
Called up share capital	20	300	300
Capital contribution reserve	21	2,188,816	2,188,816
Profit and loss account	21	(1,266,907)	(3,163,269)
Equity attributable to owners of the parent Company		<u>922,209</u>	<u>(974,153)</u>
		<u>922,209</u>	<u>(974,153)</u>

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

T G Ramleth
Director

E Dachs
Director

Date: 17 April 2023

Date: 17 April 2023

The notes on pages 23 to 38 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Goodwill	11	228,656	264,291
Tangible assets	12	680,858	995,314
Investments	13	166	166
		<u>909,680</u>	<u>1,259,771</u>
Current assets			
Stocks	14	6,378,059	2,710,412
Debtors: amounts falling due after more than one year	15	84,150	84,150
Debtors: amounts falling due within one year	15	1,722,674	1,031,179
Bank and cash balances		4,571,224	357,285
		<u>12,756,107</u>	<u>4,183,026</u>
Creditors: amounts falling due within one year	16	<u>(12,676,282)</u>	<u>(6,264,612)</u>
Net current assets/(liabilities)		79,825	(2,081,586)
Total assets less current liabilities		989,505	(821,815)
Creditors: amounts falling due after more than one year	17	(191,304)	(265,531)
Net assets/(liabilities)		<u>798,201</u>	<u>(1,087,346)</u>

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Capital and reserves			
Called up share capital	20	300	300
Capital contribution reserve	21	2,188,816	2,188,816
Profit and loss account carried forward		(1,390,915)	(3,276,462)
		<u>798,201</u>	<u>(1,087,346)</u>

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

T G Ramleth
Director

E Dachs
Director

Date: 17 April 2023

Date: 17 April 2023

The notes on pages 23 to 38 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2021	300	2,188,816	(887,867)	1,301,249
Comprehensive loss for the year				
Loss for the year	-	-	(2,276,382)	(2,276,382)
Currency translation differences	-	-	980	980
Total comprehensive loss for the year	-	-	(2,275,402)	(2,275,402)
At 1 January 2022	300	2,188,816	(3,163,269)	(974,153)
Comprehensive income for the year				
Profit for the year	-	-	1,884,719	1,884,719
Currency translation differences	-	-	11,643	11,643
Total comprehensive income for the year	-	-	1,896,362	1,896,362
At 31 December 2022	<u>300</u>	<u>2,188,816</u>	<u>(1,266,907)</u>	<u>922,209</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2021	300	2,188,816	(1,000,080)	1,189,036
Comprehensive loss for the year				
Loss for the year	-	-	(2,276,382)	(2,276,382)
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(2,276,382)</u>	<u>(2,276,382)</u>
At 1 January 2022	300	2,188,816	(3,276,462)	(1,087,346)
Comprehensive income for the year				
Profit for the year	-	-	1,885,547	1,885,547
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>1,885,547</u>	<u>1,885,547</u>
At 31 December 2022	<u>300</u>	<u>2,188,816</u>	<u>(1,390,915)</u>	<u>798,201</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit/(loss) for the financial year		1,884,719	(2,276,382)
Adjustments for:			
Amortisation of intangible assets	11	35,635	35,635
Depreciation of tangible assets	12	446,942	462,038
(Increase)/decrease in stocks	14	(3,667,647)	83,743
(Increase) in debtors	15	(688,584)	(612,754)
Increase in creditors	16,17	6,495,983	2,984,805
Net cash generated from operating activities		4,507,048	677,085
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(132,486)	(562,169)
Net cash from investing activities		(132,486)	(562,169)
Cash flows from financing activities			
(Repayment of)/new finance leases	16,17	(158,065)	74,750
Net cash used in financing activities		(158,065)	74,750
Net increase in cash and cash equivalents		4,216,497	189,666
Cash and cash equivalents at beginning of year		453,106	262,460
Foreign exchange gains and losses		11,643	980
Cash and cash equivalents at the end of year		4,681,246	453,106
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand		4,681,246	453,106
		4,681,246	453,106

The notes on pages 23 to 38 form part of these financial statements.

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	At 1 January 2022 £	Cash flows £	At 31 December 2022
Cash at bank and in hand	453,106	4,228,140	4,681,246
Finance leases	(378,649)	158,065	(220,584)
	<u>74,457</u>	<u>4,386,205</u>	<u>4,460,662</u>

The notes on pages 23 to 38 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

X2X Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. Its registered office is 60 Poland Street, London, W1F 7NT. The nature of the Group's operations are set out in the Group Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The directors have reviewed forecasts and budgets to assess the going concern ability of the Group for at least 12 months from the date of signing these financial statements and acknowledge the negative impact of the COVID-19 pandemic. Measures taken by the Group to mitigate these impacts include reduced external spending with third parties, as mentioned in the Strategic Report.

X2X Limited has received written confirmation from its parent company that it will continue to provide financial support to the Group for a period of at least 12 months from the date of signing these financial statements. In turn, the parent company and the Group have received confirmation from its investors that they will continue to provide any funding necessary to support the Group for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The parent company's functional currency is GBP.

The functional currency of one subsidiary is USD, which differs from the Group's presentational currency of GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable for the sale of recording and file based workflow technology for digital cinematography, net of discounts and value added tax.

Turnover from the sale of products in the image capture technologies market is recognised when the following conditions are satisfied:

- the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods);
- the amount of revenue can be measured reliably;
- it is probable that the associated economic benefits will flow to the entity; and
- the costs incurred or to be incurred in respect of the transactions can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term.

2.7 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years
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2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Short-term leasehold improvements	-	5	years
Plant and machinery	-	3	years
Motor vehicles	-	4	years
Fixtures and fittings	-	3	years
Computer equipment	-	3	years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.14 Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment.

Debtors due after more than one year are subsequently measured at amortised cost using the effective interest method.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price. Amounts owed to group undertakings are intercompany loans measured at cost. These loans are unsecured, interest free and repayable on demand.

Creditors falling due after more than one year are subsequently measured at amortised cost using the effective interest method.

2.18 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.18 Financial instruments (continued)

there is an 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.

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

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are addressed below.

Depreciation, amortisation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, management consider factors such as technological innovation, product life cycles and maintenance programs.

Impairment of stock

The directors review stock annually for any indication of impairment based on market conditions, and have concluded the carrying values are appropriate. The directors assessment of the valuation of stock at the year end involves both judgement and estimation which may have a material impact on these financial statements.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Group. The directors of the Group do not consider the classes of turnover to be materially different.

Analysis of turnover by country of destination:

	2022	2021
	£	£
United Kingdom	180,139	537,317
Rest of Europe	24,068,666	9,399,040
Rest of the world	20,617	29,392
	<u>24,269,422</u>	<u>9,965,749</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2022	<i>2021</i>
	£	£
Exchange differences	(31,094)	34,032
Depreciation of tangible assets	446,942	462,039
Amortisation of intangible assets	35,635	35,635
Auditors' remuneration	33,750	25,250
	<u>33,750</u>	<u>25,250</u>

6. Employees

Staff costs were as follows:

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	£	£	£	£
Wages and salaries	5,950,597	4,585,656	5,950,597	4,585,656
Social security costs	668,579	574,895	668,579	574,895
Cost of defined contribution scheme	159,055	143,375	159,055	143,375
	<u>6,778,231</u>	<u>5,303,926</u>	<u>6,778,231</u>	<u>5,303,926</u>

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	No.	<i>No.</i>	No.	<i>No.</i>
Staff	<u>82</u>	<u>70</u>	<u>80</u>	<u>70</u>

7. Directors' remuneration

During the year, the directors of X2X Limited were paid by other group entities. Management determine that the share of remuneration relevant to the services performed in their capacity as directors of X2X Limited to be insignificant to the business.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

8. Interest payable and similar expenses

	2022 £	2021 £
Finance leases and hire purchase contracts	29,691	27,171
	<u>29,691</u>	<u>27,171</u>

9. Taxation

	2022 £	2021 £
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit/(loss) on ordinary activities before tax	<u>1,884,719</u>	<u>(2,276,382)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	358,097	(432,513)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(1,896)	23,876
Utilisation of tax losses	(356,201)	-
Unrelieved tax losses carried forward	-	408,637
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

On 24 May 2021, Finance Bill 2021 was substantively enacted. The result of this is that the main rate of corporation tax for the UK will increase to 25% from 1 April 2023. Until this date the main rate of corporation tax in the UK remains at 19%.

The Company has unused tax losses of £3,355,080 as at the balance sheet date. Management have determined that the probability of relieving these in the short term is as yet uncertain and therefore have not recognised a deferred tax asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £1,885,547 (2021 - loss £2,276,382).

11. Intangible assets

Group and Company

	Goodwill
	£
Cost	
At 1 January 2022	356,348
	<hr/>
At 31 December 2022	356,348
	<hr/>
Amortisation	
At 1 January 2022	92,057
Charge for the year on owned assets	35,635
	<hr/>
At 31 December 2022	127,692
	<hr/>
Net book value	
At 31 December 2022	<u>228,656</u>
At 31 December 2021	<u>264,291</u>

During the year ended 31 December 2019, X2X Limited acquired the employees and fixed assets of Shed of London Ltd, a company incorporated in England & Wales. Goodwill of £356,348, arose on the acquisition.

The directors have determined that the useful economic life of goodwill is 10 years based on the assessment of the future expected cashflows from the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets

Group

	Short-term leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2022	1,015,147	1,874,971	19,195	249,543	1,199,022	4,357,878
Additions	-	-	-	360	132,126	132,486
						<u>4,490,364</u>
At 31 December 2022	<u>1,015,147</u>	<u>1,874,971</u>	<u>19,195</u>	<u>249,903</u>	<u>1,331,148</u>	
Depreciation						
At 1 January 2022	441,795	1,848,165	18,744	236,776	817,084	3,362,564
Charge for the year on owned assets	183,945	26,715	451	11,590	224,241	446,942
						<u>3,809,506</u>
At 31 December 2022	<u>625,740</u>	<u>1,874,880</u>	<u>19,195</u>	<u>248,366</u>	<u>1,041,325</u>	
Net book value						
At 31 December 2022	<u>389,407</u>	<u>91</u>	<u>-</u>	<u>1,537</u>	<u>289,823</u>	<u>680,858</u>
<i>At 31 December 2021</i>	<u>573,352</u>	<u>26,806</u>	<u>451</u>	<u>12,767</u>	<u>381,938</u>	<u>995,314</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets (continued)

Company

	Short-term leasehold improvements	Plant and machinery	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2022	1,015,147	1,874,971	19,195	249,543	1,199,022	4,357,878
Additions	-	-	-	360	132,126	132,486
At 31 December 2022	1,015,147	1,874,971	19,195	249,903	1,331,148	4,490,364
Depreciation						
At 1 January 2022	441,795	1,848,165	18,744	236,776	817,084	3,362,564
Charge for the year on owned assets	183,945	26,715	451	11,590	224,241	446,942
At 31 December 2022	625,740	1,874,880	19,195	248,366	1,041,325	3,809,506
Net book value						
At 31 December 2022	<u>389,407</u>	<u>91</u>	<u>-</u>	<u>1,537</u>	<u>289,823</u>	<u>680,858</u>
At 31 December 2021	<u>573,352</u>	<u>26,806</u>	<u>451</u>	<u>12,767</u>	<u>381,938</u>	<u>995,314</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Short-term leasehold improvements	294,547	429,174
	<u>294,547</u>	<u>429,174</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	166
At 31 December 2022	<u>166</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Codex Technologies Inc.	1680 Vine Street, Suite 1200, Los Angeles, CA 90028	Ordinary	100 %
X2X Media Limited	60 Poland Street, London, England, W1F 7NT	Ordinary	100 %

14. Stocks

	Group	Group	Company	Company
	2022	2021	2022	2021
	£	£	£	£
Raw materials and consumables	4,889,259	1,717,751	4,889,259	1,717,751
Work in progress	526,830	485,643	526,830	485,643
Finished goods and goods for resale	961,970	507,018	961,970	507,018
	<u>6,378,059</u>	<u>2,710,412</u>	<u>6,378,059</u>	<u>2,710,412</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Debtors

	Group 2022 £	<i>Group</i> <i>2021</i> £	Company 2022 £	<i>Company</i> <i>2021</i> £
Due after more than one year				
Other debtors	84,150	84,150	84,150	84,150
	<u>84,150</u>	<u>84,150</u>	<u>84,150</u>	<u>84,150</u>

Other debtors due after more than one year relates to the office space lease deposit repayable in 2030. The directors have determined the effect of discounting the long term debtor to be immaterial to the financial statements.

	Group 2022 £	<i>Group</i> <i>2021</i> £	Company 2022 £	<i>Company</i> <i>2021</i> £
Due within one year				
Trade debtors	666,499	682,764	667,365	678,664
Other debtors	881,765	189,684	880,897	188,909
Prepayments and accrued income	192,927	180,159	174,412	163,606
	<u>1,741,191</u>	<u>1,052,607</u>	<u>1,722,674</u>	<u>1,031,179</u>

16. Creditors: Amounts falling due within one year

	Group 2022 £	<i>Group</i> <i>2021</i> £	Company 2022 £	<i>Company</i> <i>2021</i> £
Trade creditors	544,254	515,923	539,790	511,933
Amounts owed to group undertakings	8,107,374	4,728,592	8,107,474	4,728,692
Other taxation and social security	965	134,390	965	134,390
Obligations under finance lease and hire purchase contracts	97,528	194,463	97,528	194,463
Other creditors	2,943,381	220,314	2,943,381	220,314
Accruals and deferred income	987,145	474,820	987,144	474,820
	<u>12,680,647</u>	<u>6,268,502</u>	<u>12,676,282</u>	<u>6,264,612</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

	Group 2022 £	<i>Group</i> <i>2021</i> £	Company 2022 £	<i>Company</i> <i>2021</i> £
Net obligations under finance leases and hire purchase contracts	123,056	<i>184,186</i>	123,056	<i>184,186</i>
Accruals and deferred income	68,248	<i>81,345</i>	68,248	<i>81,345</i>
	<u>191,304</u>	<i><u>265,531</u></i>	<u>191,304</u>	<i><u>265,531</u></i>

The directors have determined the effect of discounting the long term accruals to be immaterial to the financial statements.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2022 £	<i>Group</i> <i>2021</i> £	Company 2022 £	<i>Company</i> <i>2021</i> £
Not later than one year	128,976	<i>233,131</i>	128,976	<i>233,131</i>
Later than one year and not later than five years	143,919	<i>272,895</i>	143,919	<i>272,895</i>
	<u>272,895</u>	<i><u>506,026</u></i>	<u>272,895</u>	<i><u>506,026</u></i>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Financial instruments

	Group 2022 £	<i>Group 2021 £</i>	Company 2022 £	<i>Company 2021 £</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	1,402,258	872,712	1,403,124	872,712
Financial assets measured at fair value through profit or loss	4,676,641	453,106	4,566,619	357,285
	<u>6,078,899</u>	<u>1,325,818</u>	<u>5,969,743</u>	<u>1,229,997</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>4,510,342</u>	<u>5,903,829</u>	<u>4,514,706</u>	<u>5,899,938</u>

Financial assets measured at amortised cost comprise trade debtors and other debtors where there is a contractual right to receive cash. Financial assets measured at fair value through profit or loss comprise cash.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to group and accruals where this is a contractual obligation to deliver cash.

20. Share capital

	2022 £	<i>2021 £</i>
Allotted, called up and fully paid		
300 (2021 - 300) Ordinary shares of £1.00 each	<u>300</u>	<u>300</u>

21. Reserves

Profit and loss account

The profit and loss reserve represents accumulated profits, plus amounts arising on translation of balances in the US subsidiary in accordance with note 2.4.

Capital contribution reserve

The capital contribution reserve represents an intercompany payable which was cleared by an unconditional waiver from the parent company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	£	<i>£</i>	£	<i>£</i>
Not later than one year	391,986	<i>564,155</i>	391,986	<i>564,155</i>
Later than one year and not later than five years	886,594	<i>1,277,939</i>	886,594	<i>1,277,939</i>
Later than five years	345,950	<i>345,950</i>	345,950	<i>345,950</i>
	<u>1,624,530</u>	<u><i>2,188,044</i></u>	<u>1,624,530</u>	<u><i>2,188,044</i></u>

23. Controlling party

X2X LLC is the parent of the largest group for which consolidated financial statements are drawn up of which the Company is a member. The registered office of the parent company is 100 1st Street, Suite 300, San Francisco, CA 94105.

24. Post balance sheet events

There were no adjusting or non-adjusting events occurring between the end of the reporting period and the date these financial statements were approved.

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.