

Notes to the Company financial statements for the year ended 31 December 2021

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 and in accordance with FRS 101 ('Financial Reporting Standard 101') 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The results of Xaar plc are included in the consolidated financial statements of Xaar plc.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to IFRSs issued but not effective, share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of Xaar plc.

The financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted are the same as those set out in note 3 of the consolidated financial statements except as noted below. They have all been applied consistently throughout the year and the preceding year.

Share-based payments

The share-based payment reserve represents the cumulative charge made under IFRS 2 in relation to share options and LTIP awards. The costs related to employees contracted with other Group entities are recharged from Xaar plc to the related entity.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 12 to 15. Notes 21 and 22 to the consolidated financial statements include a description of the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

After making enquiries, and having regard to the principal risks, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have assessed the Company's forecasts and cash flow projections for the period to 30 June 2023, which have undergone reverse stress tests by significantly reducing revenue across the period, and identified cost mitigations. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

Please refer to Directors' report on page 67 for going concern and note 3 to the consolidated financial statements for more detail.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment and include capital contributions arising from share-based payments. Each year, the Company carries out impairment tests of its investments which require estimates to be made of the value in use of its CGUs and groups of CGUs. The value in use calculations are dependent on estimates of future cash flows, long-term growth rates and appropriate discount rates to be applied to future cash flows.

For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored. As the merger relief arose from transactions before the introduction of FRS 101, the transaction has utilised grandfathering relief rather than recalculating and presenting under appropriate FRS 101 treatment.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Please refer to page 125, note 3 to the consolidated financial statements for more detail.

Dividends

Dividend income is recognised when an irrevocable right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

2. Profit/(loss) for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year.

The average number of employees throughout 2021 was 31 (2020: 32). Staff costs amounted to £2,652,000 (Restated 2020: £2,328,000) including share-based payments. Information about the remuneration of Directors is provided in the audited part of the Directors' Remuneration report on page 83. For the remuneration of key management personnel of the Company see note 34 – Related party transactions of the consolidated financial statements.

The Directors' Remuneration report can be found on page 83

The audit fee for the audit of the Company's financial statements in 2021 was £20,000 (2020: £20,000).

The figures for the auditor's remuneration for the Company required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 are not presented as the consolidated financial statements comply with this regulation on a consolidated basis.

Notes to the Company financial statements continued

for the year ended 31 December 2021

3. Tangible fixed assets

	Right-of-use asset – building €'000
Cost	
At 1 January 2021	44
Additions	1,166
Transfer to subsidiary	(44)
At 31 December 2021	1,166
Depreciation	
At 1 January 2021	(5)
Charge for the year	(107)
Transfer to subsidiary	5
At 31 December 2021	(107)
Carrying amount	
At 31 December 2021	1,059
At 31 December 2020	39

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2021 €'000	2020 €'000
At 1 January	35	–
Additions	896	45
Accretion of interest	17	–
Payments	(51)	(9)
Exchange movement	–	(1)
Transfer to subsidiary	(35)	–
At 31 December	862	(35)
Current	85	16
Non-current	776	19
	861	35

The table below summarises the maturity profile of the Group's financial liabilities based upon the contractual undiscounted payments for the year.

	2021 €'000	2020 €'000
On demand	–	–
Less than three months	26	–
Four to 12 months	77	17
One to five years	384	19
More than five years	460	–
	947	36

The following are the amounts recognised in profit or loss:

	2021 €'000	2020 €'000
Depreciation expense of right-of-use assets	107	6
Interest expense on lease liabilities	17	–
Total amount recognised in profit or loss	124	6

4. Investments

	2021 £'000	2020 £'000
Subsidiary undertakings held at cost		
At beginning of the year	82,055	32,893
Additions in the year	10,453	49,000
Capital contributions arising from share-based payments	385	162
At end of the year	92,893	82,055

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

5. Debtors

	2021 £'000	2020 £'000
Amounts receivable within one year		
Amounts owed by Group undertakings	8,638	5,572
Trade debtors	90	–
Other debtors	75	–
	8,803	5,572

Amounts owed by Group undertakings are trading balances and interest is not charged and is payable on demand.

6. Creditors

	2021 £'000	2020 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	21,811	9,124
Other payables and accruals	577	156
Other financial liabilities	1,589	–
	23,977	9,280
Amounts falling due after one year		
Other financial liabilities	3,354	–

Amounts owed to Group undertakings are trading balances under normal commercial terms and interest is not charged and is payable on demand.

The other financial liabilities represent the deferred consideration in relation to the acquisition of FFEI Limited split between the current due in 2022 (£1,589,000) and non-current portion. Further details are in note 36 to the consolidated financial statements.

Notes to the Company financial statements continued

for the year ended 31 December 2021

7. Provisions

	2021 £'000	2020 £'000
Current		
At 1 January	-	119
Additional provision in the year	44	-
Utilisation of provision	(44)	(119)
At 31 December	-	-
Non-current		
Provision for dilapidation	250	-
	250	-

Current provision movements relate to restructuring costs arising in Xaar plc. Non-current provisions relate to provision for dilapidation of Xaar Waterbeach office which form part of right-of-use assets and are depreciated over the lease term.

8. Dividends

There were no dividends declared or paid during the current and preceding year.

9. Share capital and share premium account

Full details of movements in share capital, share premium account, other reserves, own shares and the share option payment reserve are given in notes 26, 27, 28 and 30 to the consolidated financial statements.

10. Share-based payments

Equity-settled share option scheme

The Company's share option schemes are open to all employees of the Company. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. The vesting criteria of these options are disclosed in note 32 to the consolidated financial statements. If the options remain unexercised after a period of ten years from the date of grant, 42 months in the case of the Share Save Scheme, or five years in the case of the Share Incentive Plan, the options expire. Save as permitted in the share option scheme rules, options lapse on an employee leaving the Company.

The weighted average share price at the date of exercise for share options exercised during the period was £1.67 (2020: £0.53). The options outstanding at 31 December 2021 had a weighted average remaining contractual life of two and a half years (2020: two and a half years), and a range of exercise prices between 0 pence and 227 pence (2020: 0 pence and 344 pence).

The performance conditions relating to the above share options and the exercise prices of options outstanding at the year-end are given in note 32 to the consolidated financial statements.

Long-Term Incentive Plan

The Company's Long-Term Incentive Plan is open to all employees of the Company. Vesting of Performance Share Awards made under this scheme is conditional upon the achievement of performance conditions. Full details of the performance conditions are shown in note 32 of the consolidated financial statements. All awards made under this scheme are exercisable within three to ten years after the date of grant. Save as permitted in the Long-Term Incentive Plan rules, awards lapse on an employee leaving the Company.

The weighted average share price at the date of exercise for awards exercised during the period was £1.67 (2020: £0.45). The awards outstanding at 31 December 2021 had a weighted average remaining contractual life of nine years (2020: nine years). All awards have a £nil exercise price.

Groups Deferred Bonus Plan

Under the Group's Deferred Bonus Plan, executives receive 70% of the participant's bonus achieved in cash and 30% in the form of rights to deferred shares of Xaar plc. These awards are subject only to service conditions, i.e. the requirement for recipients of awards to remain in employment with the Company over the vesting period. The awards are granted on 14 October 2021. All of these awards have been granted in respect of the participant's bonus for the Company's financial year which ended on 31 December 2020 and will vest on the dealing day following the announcement by the Company of its annual results for 2022 (assumed 24 March 2023) or, if later, the date on which the Committee determines ("the normal vesting date").

The weighted average share price at the date of exercise for awards exercised during the period was £nil (2020: £nil). The options outstanding at 31 December 2021 had a weighted average remaining contractual life of one year and three months (2020: nil). In 2021, Deferred Bonus Plan awards were made in October. The aggregate of the estimated fair values of grants made on that date is £60,000.

11. Subsidiary undertakings

The following entities are the subsidiary undertakings of the Company:

Name	Country of incorporation	Address of registered office	Principal activity	Issued and fully paid up share capital	Proportion of ordinary share capital held by the Company
Xaar Technology Limited	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Research and development	4,445,322 ordinary £1 shares	100%
XaarJet Limited	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Manufacturing, research and development and sales and marketing	2 ordinary £1 shares	100%
XaarJet (Overseas) Limited	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Sales and marketing	1 ordinary £1 share	100%
Xaar Trustee Limited ¹	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Trustee	2 ordinary £1 shares	100%
Xaar Digital Limited	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Treasury	100 ordinary £1 shares	100%
Xaar 3D Holdings Limited	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Holding company	1,100 ordinary shares of £0.01 each	100%
Xaar US Holdings Inc.	USA	1209 Orange Street, Wilmington, New Castle County, Delaware, USA	Holding company	10,000 shares of common stock \$1 each	100%
Engineered Printing Solutions ²	USA	201 Tennis Way, East Dorset, VT 05253, USA	Manufacturing, sales and marketing	200 shares of common stock \$1 each	100%
Xaar Americas Inc. ²	USA	1000 Post and Paddock, Suite 405, Grand Prairie, TX 75050, USA	Sales and marketing	10,000 shares of common stock US\$1 each	100%
Xaar Inkjet Technology (Shenzhen) Company Limited	China	Room 409, Floor 4, Building 13, Fuhai Industrial Zone, Fuzhou Avenue, Shenzhen, China	Sales and marketing	30 ordinary shares of £10,000 each	100%
FFEI Limited	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Manufacturing, sales and marketing	100,000 ordinary £1 shares	100%
Megnajet Ltd ³	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Manufacturing, sales and marketing	1 ordinary £1 share	100%
Technomation Ltd ³	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Research and development	100 ordinary £1 shares	100%

¹ Xaar Trustee Limited shares are held by Xaar Technology Limited.

² Xaar Americas Inc and Engineering Printing Solutions shares are held by Xaar US Holdings Inc.

³ Megnajet Ltd and Technomation Ltd were acquired by Xaar plc on 2 March 2022. See note 38 to the consolidated financial statements for more detail.