

# Notes to the Company financial statements for the year ended 31 December 2022

## 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, fair value, key management 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 recorded as an increase to investments as a capital contribution.

### 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 16 to 25. Notes 21 and 22 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 2024, which have undergone reverse stress tests, 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 the Directors' report on page 69 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 includes 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 the 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 lease are consumed. Please refer to page 143, note 18 and page 126, 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 2022 was 27 (2021: 31). Staff costs amounted to £4,688,060 (2021: £2,652,000) including share-based payments. Information about the remuneration of Directors is provided in the audited part of the Directors' Remuneration report on page 84. 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 84

The audit fee for the audit of the Company's financial statements in 2022 was £20,000 (2021: £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 2022

### 3. Tangible fixed assets

	Right-of-use asset – building £'000
<b>Cost</b>	
At 1 January 2022	1,166
Additions	–
Transfer to subsidiary	–
<b>At 31 December 2022</b>	<b>1,166</b>
<b>Depreciation</b>	
At 1 January 2022	(107)
Charge for the year	(117)
Transfer to subsidiary	–
<b>At 31 December 2022</b>	<b>(224)</b>
<b>Carrying amount</b>	
<b>At 31 December 2022</b>	<b>942</b>
At 31 December 2021	1,059

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

	2022 £'000	2021 £'000
At 1 January	862	35
Additions	–	896
Accretion of interest	17	17
Payments	(77)	(51)
Transfer to subsidiary	–	(35)
<b>At 31 December</b>	<b>802</b>	<b>862</b>
Current	113	85
Non-current	689	776
	<b>802</b>	<b>861</b>

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

	2022 £'000	2021 £'000
On demand	–	–
Less than three months	26	26
Four to 12 months	77	77
One to five years	400	384
More than five years	342	460
	<b>845</b>	<b>947</b>

The following are the amounts recognised in profit or loss:

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	117	107
Interest expense on lease liabilities	17	17
<b>Total amount recognised in profit or loss</b>	<b>134</b>	<b>124</b>

## 4. Investments

	2022 £'000	2021 £'000
<b>Subsidiary undertakings held at cost</b>		
At the beginning of the year	92,893	82,055
Additions in the year	5,494	12,453
Impairment	–	(2,000)
Capital contributions arising from share-based payments	895	385
<b>At the end of the year</b>	<b>99,282</b>	92,893

In March 2022 Xaar plc acquired Megnajet Ltd for a total consideration of £2,455,942 and Technomation Ltd for a consideration of £3,038,000.

The impairment charge in the prior year was a result of intercompany dividends.

The Directors believe that the carrying value of the investments is at least equal to the recoverable amount.

## 5. Debtors

	2022 £'000	2021 £'000
<b>Amounts receivable within one year</b>		
Amounts owed by Group undertakings	1,384	8,638
Trade debtors	–	90
Prepayments and accrued income	208	–
Other debtors	27	75
	<b>1,619</b>	8,803

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

## 6. Creditors

	2022 £'000	2021 £'000
<b>Amounts falling due within one year</b>		
Amounts owed to Group undertakings	13,869	21,811
Other payables and accruals	2,278	577
Other financial liabilities	1,646	1,589
	<b>17,793</b>	23,977
<b>Amounts falling due after one year</b>		
Other financial liabilities	2,094	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, Megnajet Limited and Technomation Limited; split between the current due in 2023 (£1,646,000) and non-current portion. Further details are in note 24 to the consolidated financial statements.

# Notes to the Company financial statements continued

## for the year ended 31 December 2022

### 7. Provisions

	2022 €'000	2021 €'000
<b>Current</b>		
At 1 January	-	-
Additional provision in the year	-	44
Utilisation of provision	-	(44)
At 31 December	-	-
<b>Non-current</b>		
Provision for dilapidation	250	250
	<b>250</b>	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. There are no dividends expected to be declared on the 2022 financial results.

Dividends were received during the year as follows:

- Xaar Digital Ltd €1,700,000 (2021: nil)
- Xaar US Holdings Inc €1,885,003 (2021: nil)

### 9. Share capital and share premium account

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

### 10. Share-based payments

#### Equity-settled share option scheme

The Company operates a number of equity-settled share-based payment schemes for its employees and the employees of its subsidiaries. The share-based payment charge in relation to the Company's employees is recognised in profit or loss and the share-based payments reserve, whilst the share-based payment charge in relation to the employees of the Company's subsidiaries is recognised as capital contribution to the subsidiary with the corresponding increase in other reserves. Details of the share-based payment schemes are included in note 32 to the consolidated financial statements.

For the year ended 31 December 2022, the share-based payment charge in relation to the Company's employees was €663,000 (2021: £260,000) and €895,000 (2021: £385,000) was recognised as a capital contribution to subsidiaries.

## 11. Subsidiary undertakings

The subsidiary undertakings of the Company are listed below: all companies are directly owned by the Company except where indicated otherwise.

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 <sup>1</sup>	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 <sup>2</sup>	USA	201 Tennis Way, East Dorset, VT 05253, USA	Manufacturing, sales and marketing	200 shares of common stock \$1 each	100%
Xaar Americas Inc. <sup>2</sup>	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 <sup>3</sup>	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Manufacturing, sales and marketing	1 ordinary £1 share	100%
Technomation Ltd <sup>3</sup>	England & Wales	Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE	Research and development	100 ordinary £1 shares	100%

<sup>1</sup> Xaar Trustee Limited shares are held by Xaar Technology Limited.

<sup>2</sup> Xaar Americas Inc and Engineering Printing Solutions shares are held by Xaar US Holdings Inc.

<sup>3</sup> Megnajet Ltd and Technomation Ltd were acquired by Xaar plc on 2 March 2022. See note 36 to the consolidated financial statements for more detail.