

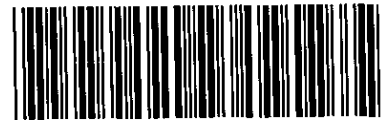
Company Registration No. 02469592

**XAAR TECHNOLOGY LIMITED**

**Annual report and unaudited financial statements**

**For the year ended 31 December 2020**

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## **XAAR TECHNOLOGY LIMITED**

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## XAAR TECHNOLOGY LIMITED

### STRATEGIC REPORT

The directors present their strategic report on the affairs of Xaar Technology Limited ('the company'), for the year ended 31 December 2020.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

#### Principal activity and business review

The principal activity of the company is to hold the group intellectual property and to support the development and commercial exploitation of ink jet printing technology for the group. The company has two principal revenue streams which include licensee royalties and group service charges.

The company's key financial and other performance indicators during the year were as follows:

	2020 £'000	2019 £'000	Change %
Turnover	545	795	(31%)
Gross margin	27%	44%	(17ppts)
Loss after tax	(52,011)	(673)	7628%

Turnover for the year decreased by 31% to £545,000 (2019: £795,000). This was primarily driven by a decrease in operating costs for management recharge.

Gross margin for the year decreased to 27% (2019: 44%). This was primarily due to the change in revenue mix, where a lower proportion is made up of royalties in 2020.

Loss after tax was £52,011,000 during the year (2019: £673,000). This is due to an exercise taking place in 2020 to simplify the intra-group position and historic trading balances, with the majority of XaarJet Limited's debtor balance being waived.

Net assets as at 31 December 2020 were £335,000 (2019: £52,345,000).

#### Principal risks and uncertainties

The principal risks and uncertainties of the company relate to the economic and market environment that the licensees operate in and the currency exposure on the royalty income due to fluctuations in foreign exchange rates. The company also faces risks and uncertainties relating to the identification and successful development of products in time for the needs of the market and to the specification required.

Approved by the Board of Directors and signed on behalf of the Board



**I Tichias**

Director

21 September 2021

3950 Cambridge Research Park

Waterbeach, Cambridge

CB25 9PE

## **XAAR TECHNOLOGY LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the company, together with the financial statements for the year ended 31 December 2020.

Xaar Technology Limited is a private company limited by shares.

#### **Results and dividends**

Turnover for the year was £545,000 (2019: £795,000) and mainly comprises of royalty fees. The loss for the year after taxation was £52,011,000 (2019: £673,000). No dividends were paid to Xaar plc in the current and preceding year. The directors did not recommend the payment of a final dividend for the current and preceding year.

#### **Market trends and future developments**

As the patents associated with current licensee arrangements mature, we expect royalties from our licensees to stabilise or reduce in the longer term.

#### **Going concern**

The company made a loss of £52,011,000 (2019: £673,000) for the year ended 31 December 2019 and has net assets of £335,000 (2019: £52,345,000) as at 31 December 2020. The directors have received a formal letter of support from the company's parent undertaking, Xaar plc, guaranteeing continued financial support to enable the company to meet its liabilities to creditors as they fall due for the foreseeable future. The directors have assessed that Xaar plc has sufficient resources to provide such support, notwithstanding the risks and uncertainties disclosed in its annual report. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

#### **Financial risk management objectives and policies**

The company's activities expose it primarily to the financial risks of liquidity risk and credit risk.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing the cash flows generated by its operations, applying cash collection targets and maintaining adequate reserves.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss. Company policies are aimed at minimising such losses, including to only dealing with creditworthy counterparties. Licensees report and pay royalties quarterly, per the licensee contractual agreements in place.

#### **Directors**

The directors, who served during the year and to the date of this report, were as follows:

R Mills

I Tichias (Appointed 1 March 2020)

The directors also served as directors of Xaar plc during the same periods. Details of their remuneration and share based payment arrangements are included in the Directors' Remuneration Report in the Annual Report and Financial Statements of Xaar plc for the year ended 31 December 2020.

**DIRECTORS' REPORT (continued)**

**Directors' responsibilities statement**

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 period. 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), including FRS 101 "Reduced Disclosure Framework". 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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' liabilities**

Xaar plc, the ultimate parent company has granted an indemnity to one or more of the directors of Xaarjet Limited against liability in respect of any potential proceedings that may be brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

**Charitable contributions and political donations**

During the current and preceding year, the company made no charitable contributions to national or local charities as all charitable donations were made by the parent company, Xaar plc. During the current and preceding year no political donations were made.

Approved by the Board of Directors and signed on behalf of the Board



**I Tichias**

Director

21 September 2021

3950 Cambridge Research Park

Waterbeach, Cambridge

CB25 9PE

**XAAR TECHNOLOGY LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2020**

	Notes	2020 £'000	2019 £'000
<b>Turnover</b>	3	<b>545</b>	795
Cost of sales		<b>(400)</b>	(447)
<b>Gross profit/(loss)</b>		<b>145</b>	348
Administrative expenses		<b>(1,045)</b>	(949)
Restructuring expenses		<b>(105)</b>	-
Intra-group balance waived		<b>(51,000)</b>	-
<b>Operating profit/(loss)</b>		<b>(52,005)</b>	(601)
Interest receivable and similar income	5	<b>2</b>	2
Interest payable and similar expenses	6	<b>(6)</b>	(9)
<b>Profit/(loss) before taxation</b>	4	<b>(52,009)</b>	(608)
Tax on profit/(loss)	8	<b>(2)</b>	(65)
<b>Profit/(loss) for the financial year</b>		<b>(52,011)</b>	(673)

All activities derive from continuing operations.

There were no other comprehensive income or expenses other than the profit for the current financial year and the loss for the preceding financial year. Accordingly no Statement of total comprehensive income has been prepared.

# XAAR TECHNOLOGY LIMITED

## BALANCE SHEET

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Tangible assets	10	-	-
Right of use asset	11	-	451
Investments	12	-	-
		-	451
<b>Current assets</b>			
Debtors	13	293	52,863
Cash at bank and in hand		822	594
		1,115	53,457
<b>Creditors: amounts falling due within one year</b>	14	(780)	(1,563)
<b>Net current assets/(liabilities)</b>		335	51,894
<b>Total assets less current liabilities, being net assets</b>		335	52,345
<b>Capital and reserves</b>			
Called up share capital	15	4,445	4,445
Share premium account		1,105	1,105
Capital contribution reserve		523	522
Reserve for own shares	16	(20)	(20)
Profit and loss account		(5,718)	46,293
<b>Equity attributable to shareholders</b>		335	52,345

For the year ended 31 December 2020, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of Xaar Technology Limited, registered number 02469592, were approved by the Board of Directors and authorised for issue on 21 September 2021.

Signed on behalf of the Board of Directors



**I Tichias**  
Director

**XAAR TECHNOLOGY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2020

	Notes	Share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Reserve for own shares £'000	Profit and loss account £'000	Total £'000
At 1 January 2019		4,445	1,105	512	(20)	46,968	53,010
Total comprehensive loss for the year		-	-	-	-	(673)	(673)
Credit to equity for share-based payments	17	-	-	10	-	-	10
Tax on share-based payments		-	-	-	-	(2)	(2)
At 31 December 2019		4,445	1,105	522	(20)	46,293	52,345
Total comprehensive loss for the year		-	-	-	-	(52,011)	(52,011)
Credit to equity for share-based payments	17	-	-	1	-	-	1
<b>At 31 December 2020</b>		<b>4,445</b>	<b>1,105</b>	<b>523</b>	<b>(20)</b>	<b>(5,718)</b>	<b>335</b>



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

The principal accounting policies, all of which have been applied consistently throughout the year and preceding year unless otherwise stated, are set out below.

#### **Basis of accounting**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments (IFRS 9), financial instruments disclosure (IFRS 7), capital management, presentation of a cash-flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers (IFRS 15), disclosure of remuneration of key management personnel and related party transactions.

Where relevant, equivalent disclosures are given in the consolidated financial statements of Xaar plc. The group accounts of Xaar plc are available to the public and can be obtained as set out in note 20.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Xaar plc.

The company has taken the exemption from an audit for the year ended 31 December 2020 by virtue of s479A of the Companies Act 2006. In order to allow the company to take the audit exemption, the ultimate parent company, Xaar plc has given a statutory guarantee of all the outstanding liabilities of the company as at 31 December 2020.

Under s479C of the Companies Act 2006, the ultimate parent company, Xaar plc has guaranteed all outstanding liabilities to which the company was subject at the end of 31 December 2020 until they are satisfied in full. Such guarantees are enforceable against Xaar plc by any person to whom any such liabilities is due.

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

#### **Going concern**

The company made a loss of £52,011,000 (2019: £673,000) for the year ended 31 December 2019 and has a strong financial position with net assets of £335,000 (2019: £52,345,000) as at 31 December 2020. The directors have received a formal letter of support from the company's parent undertaking, Xaar plc, guaranteeing continued financial support to enable the company to meet its liabilities to creditors as they fall due for the foreseeable future. The directors have assessed that Xaar plc has sufficient resources to provide such support, notwithstanding the risks and uncertainties disclosed in its annual report. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

#### **Foreign currency**

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Gains or losses arising from a change in exchange rates subsequent to the date of the transactions are included in the profit and loss account.

## **XAAR TECHNOLOGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Turnover**

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Revenue from goods and services is recognised in accordance with IFRS 15 when control has been transferred to the customer. Sale of goods and service revenue are recognised at a point in time, unless specific conditions have been satisfied allowing revenue to be recognised over a period of time.

Development fees gained from joint development agreements are treated as income over the periods necessary to match them with the related costs. Royalties are recognised on an accruals basis in accordance with the actual turnover trend in the most recent quarterly statements received from each licensee.

##### **Research and development**

Research and development costs, including the costs associated with the acquisition, registration and development of patents and know-how, are written off to the profit and loss account as incurred.

In accordance with IAS 38 'Intangible assets' where a project has entered the development phase and is sufficiently self-contained that the expected future economic benefits can be traced directly to the assets developed within the project, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably, the development costs related to the project will be capitalised as an intangible asset. Internally generated intangible assets are amortised on a straight-line basis over their useful lives.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

##### **Pension costs**

The company's employees are members of the Xaar plc group's defined contribution pension scheme. Amounts charged in the profit and loss account comprise employer's contributions payable to the company's defined contribution group personal pension scheme in respect of pensionable payroll costs for the accounting period.

##### **Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

##### **Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year 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.

To the extent that the company receives a tax deduction relating to share-based payment transactions, deferred tax is provided at the appropriate tax rate on the difference in value between the market price of the underlying equity as at the date of the financial statements and the exercise price of the outstanding share options. As a result, the deferred tax impact of share options will not be derived directly from the expense reported in the profit and loss account.

Deferred tax assets and liabilities are measured on an undiscounted basis.

**Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

## **XAAR TECHNOLOGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Derecognition of financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

##### **Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

##### **Derecognition of financial liabilities**

The company derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

##### **Intangible fixed assets**

Payments in respect of software and intellectual property rights are capitalised at cost and amortised on a straight-line basis over their estimated useful lives.

The amortisation period for software is 15 years on a straight-line basis and the amortisation period for these intellectual property rights is five years on a straight-line basis, based on the directors' estimate of their useful economic life.

##### **Tangible fixed assets**

All tangible fixed assets are shown at original historical cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	Up to 20 years
Plant and machinery	Three to 20 years
Furniture, fittings and equipment	Three to 20 years

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets (continued)**

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Impairment of tangible and intangible assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. Generally an incremental borrowing rate approach is applied.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

## **XAAR TECHNOLOGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Leases (continued)**

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using an incremental borrowing rate at the effective date of the modification.

The company did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The company does not have any leases that transfer ownership of the underlying asset. The company does not have any leases with a purchase option where there is a reasonable expectation that the option will be exercised.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within the profit and loss account.

##### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**Share-based payments**

The company has applied the requirements of IFRS 2 Share-based Payment.

Xaar plc (the parent company) issues equity-settled share-based payments to certain of the group's employees. These payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

**2. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS**

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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 year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

There were no critical accounting judgements or assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**3. TURNOVER**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Turnover by class of business:</b>		
Printheads	<b>545</b>	795

The company's operations are primarily located in Europe, with a presence in Asia. The following table provides an analysis of the company's sales by geographical market, irrespective of the origin of the goods:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
EMEA	<b>175</b>	153
Asia	<b>370</b>	642
	<b>545</b>	795

# **XAAR TECHNOLOGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **4. LOSS BEFORE TAXATION**

	2020 £'000	2019 £'000
<b>Loss before taxation is stated after charging/ (crediting):</b>		
Depreciation		
- right of use asset	451	288
Restructuring expenses	105	-
Intra-group balance waived	51,000	-
<b>Audit fees</b>		
Fees payable to the company's auditors for the audit of the company's annual accounts	-	21

During the current year, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Hence there is no audit fees payable to the company's auditors for the audit of the company's annual accounts for this year. There is also no non-audit fees that were payable to the company's auditor in the current or previous year.

Restructuring costs of £105,000 (2019: £nil) relate to costs incurred in relation to a reorganisation in the year.

Intra-group balance waived relates to an exercise that took place in 2020 to simplify the intra-group position and historic trading balances, with the majority of XaarJet Limited's debtor balance being waived (£51,000,000), which is included as a line item in the income statement.

### **5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2020 £'000	2019 £'000
Bank interest receivable	2	2

### **6. INTEREST PAYABLE AND SIMILAR INCOME**

	2020 £'000	2019 £'000
IFRS 16 lease interest expense	6	9



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. STAFF COSTS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs during the year amounted to:</b>		
Wages & Salaries	<b>344</b>	407
Social Security	<b>33</b>	39
Other pension costs	<b>18</b>	21
Share-based payments	<b>-</b>	11
	<b>395</b>	478

The average monthly number of persons employed by the company was as follows.

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Administration	<b>5</b>	7

The directors did not receive any remuneration during the current and preceding year in respect of their services provided to the company. They are remunerated by the parent company, Xaar plc.

**8. TAX**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax	-	-
Adjustment in respect of prior years	<b>2</b>	(68)
Total current tax charge	<b>2</b>	(68)
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	137
Adjustment in respect of prior years	-	(4)
Total deferred tax charge	-	133
Total tax expense/(credit) for the year	<b>2</b>	65

## XAAR TECHNOLOGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 8. TAX (continued)

The UK had a corporation tax rate of 19% for 2020 (2019: 19%). The differences in the tax charge is explained below:

	2020 £'000	2019 £'000
Loss before tax	(52,009)	(608)
Tax on ordinary activities at standard rate of 19% (2019: 19%)	(9,882)	(116)
<b>Effects of:</b>		
Expenses/(income) not deductible /(taxable) for tax purposes	9,706	5
Effect of change in UK Corporation tax rate	-	(7)
Current year losses not recognised	102	181
Deferred tax asset and other amounts not recognised	-	74
Group relief	74	-
Adjustment in respect of prior years	2	(72)
<b>Total tax expense/(credit) for the year</b>	<b>2</b>	<b>65</b>

The Finance Act 2020, which was substantively enacted on 22 July 2020, did not amend the main rate of UK corporation tax, and this remains at 19%. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the year of the reversal, deferred tax balances at December 31, 2020 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Following the UK Budget on 2 March 2021, the government have announced that the main rate of corporation tax will remain unchanged until 2023. Therefore there has been no impact on the financial statements for changes in UK tax rates.

The closing deferred tax liability at 31 December 2020 has been calculated at 19% (2019: 17%) reflecting the tax rate at which the deferred tax liability is expected to be reversed in future periods.

#### 9. INTANGIBLE FIXED ASSETS

	Intellectual property £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2020/31 December 2020	6,300	591	6,891
<b>Amortisation</b>			
At 1 January 2020/31 December 2020	6,300	591	6,891
<b>Net book value</b>			
<b>At 31 December 2020</b>	-	-	-
At 31 December 2019	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Furniture, fitting and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2020/31 December 2020	1,127	801	1,291	3,219
<b>Amortisation</b>				
At 1 January 2020/31 December 2020	1,127	801	1,291	3,219
<b>Net book value</b>				
<b>At 31 December 2020</b>	-	-	-	-
At 31 December 2019	-	-	-	-

**11. RIGHT OF USE ASSET**

The company has leases for its office and production building. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability (see note 1).

The right-of-use assets carried as non-current assets resulting from leases are presented as follows:

	<b>Land and buildings £'000</b>
<b>Cost</b>	
At 1 January 2020/31 December 2020	6,263
<b>Depreciation</b>	
At 1 January 2020	5,812
Charge for the year	451
At 31 December 2020	6,263
<b>Carrying amount</b>	
<b>At 31 December 2020</b>	-
At 31 December 2019	451

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

	<b>2020 £'000</b>	<b>2019 £'000</b>
At 1 January	507	590
Additions	-	421
Accretion of interest	6	9
Payments	(513)	(513)
At 31 December	-	507
Current	-	507

# **XAAR TECHNOLOGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **12. INVESTMENTS**

<b>Subsidiary undertaking</b>	<b>£</b>
<b>Cost and net book value</b>	
At 1 January 2020/31 December 2020	<b>2</b>

The entire issued and paid ordinary share capital of Xaar Trustee Limited is owned by Xaar Technology Limited (2 ordinary shares of £1 each). The registered office address for Xaar Trustee Limited is 3950 Cambridge Research Park, Waterbeach, Cambridge, CB25 9PE.

### **13. DEBTORS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade debtors	<b>66</b>	-
Amounts owed by group undertakings	<b>2</b>	52,492
Corporation tax	-	236
Prepayments and accrued income	<b>225</b>	135
	<b>293</b>	<b>52,863</b>

Amounts owed by group undertakings are trading balances under normal commercial terms and interest is not charged. Group undertakings consists of companies within the Xaar group where Xaar plc is the ultimate controlling company. An exercise took place in 2020 to simplify the intra-group position and historic trading balances, with the majority of XaarJet Limited's debtor balance being waived (£51,000,000), which is included as a line item in the income statement.

### **14. CREDITORS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Amounts owed to parent undertaking	<b>563</b>	1,048
Amounts owed to group undertakings	<b>200</b>	-
Corporate tax creditor	<b>2</b>	-
Other payables and accruals	<b>15</b>	8
Lease liabilities (see note 11)	-	507
	<b>780</b>	<b>1,563</b>

Amounts owed to group and parent undertakings are trading balances and interest is not charged. Group undertakings consists of companies within the Xaar group where Xaar plc is the ultimate controlling company.

### **15. CALLED UP SHARE CAPITAL**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
4,445,322 ordinary shares of £1 each	<b>4,445</b>	<b>4,445</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. RESERVE FOR OWN SHARES**

	£'000
At 1 January 2020/31 December 2020	20

An Employee Benefit Trust was established in 1995 to hold shares for the benefit of the employees of the company. Xaar Trustee Limited was formed during 1995 to act as trustee to the Trust. At 31 December 2020 and 2019, there were 91,250 10p ordinary shares in Xaar plc held in trust by Xaar Trustee Limited at a cost of £20,000. In accordance with UITF 38, this amount was transferred to reserves in 2005. The aggregate market value of these shares at 31 December 2020 was £162,881 (2019: £50,461). There has been no movement in the number of shares held in trust by Xaar Trustee Limited during the year.

**17. SHARE BASED PAYMENTS**

**Equity-settled share option scheme**

The parent company, Xaar plc, has share option schemes which are open to all employees of the group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The standard vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, or 42 months in the case of the Share Save Scheme, or five years in the case of the Share Incentive Plan, (being the contractual lives), the options expire. Save as permitted in the share option scheme rules, options lapse on an employee leaving the Group.

The Xaar 2007 and 2017 Share Save schemes provide an opportunity to all UK employees to save a set monthly amount (up to £500) over three years towards the exercise of a discounted share option, which is granted at the start of the three years.

The Xaar Share Incentive Plan provides an opportunity for all UK employees to buy shares from their pre-tax remuneration up to the limit permitted by the relevant tax legislation (£1,500 per year for awards made in 2013 and 2014, £1,800 for awards from 2015) and are awarded additional shares for free on a matching basis; the company currently operates the plan on the basis of a 1:1 match but may award matching shares up to the maximum ratio permitted by the relevant tax legislation (currently a 2:1 ratio).

Options and awards under the Xaar 2007 and 2017 Share Save Schemes and Xaar Share Incentive Plan are not subject to performance conditions.

The weighted average share price at the date of exercise for share options exercised during the period was £nil (2019: £1.11). There were 24,846 options granted in 2020 (2019: 8,364). The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 3 years, and a range of exercise prices between 0 pence and 344 pence. The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 2 years, and a range of exercise prices between 0 pence and 344 pence.

**Long Term Incentive Plan**

The company's Long Term Incentive Plan is open to all employees of the company. As at 31 December 2017, all unvested LTIP share awards granted before 2015 are subject to the achievement of EPS performance conditions, the number of shares that vest will depend on the EPS growth of the company for the three financial years of the company commencing on 1 January of the year of grant, as follows:

- (1) None of the Awards will vest if the company's EPS growth does not exceed growth in the Retail Prices Index (RPI) by at least 4% compound p.a.
- (2) 35% of the Awards will vest if the company's EPS growth exceeds growth in the RPI by at least 4% compound p.a.

## **XAAR TECHNOLOGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **17. SHARE BASED PAYMENTS (continued)**

(3) All of the Awards will vest if the company's EPS growth exceeds growth in the RPI by at least 10% compound p.a.

(4) Awards will vest on a straight-line basis for EPS growth in excess of growth in the RPI of between 4% and 10% compound p.a.

LTIP share awards granted from 2015 are subject to the achievement of different performance conditions depending on the level of the employee. The number of shares that vest will depend on the three financial years of the company commencing on 1 January of the year of grant, and are subject to one, two, three, four or five of the conditions as set out below:

(1) Absolute cumulative EPS performance over the period, whereby 25% of the Awards will vest if the threshold target is achieved, below threshold 0% will vest and up to a maximum of 100% if the maximum EPS target or higher is achieved.

(2) For 2015 and 2016 grants Total Shareholder Return (TSR) relative to FTSE TechMARK All Share Index, whereby 25% of the Awards will vest if the median rank in the comparator group is achieved, below median 0% will vest and up to a maximum of 100% if the upper quartile or higher is achieved. For 2017 grants, TSR outperformance multiplier determined by comparison to the FTSE Small Cap Index, whereby a performance multiplier of between 116.7% (for upper quartile performance) and 150% or 200% (for upper decile performance) is applied to the base award relating to awards granted with EPS and revenue performance conditions.

(3) For 2015 and 2016 grants, Achievement of positive adjusted profit before tax as shown in the consolidated income statement in the company's Annual Report and Accounts for any of the three years ending during the vesting period. One third of the shares subject to the option granted rounded to the nearest whole share, will vest based on the performance condition being met per year for each of the three years ending in the vesting period. If the adjusted profit before tax as shown in the consolidated income statement in Xaar plc's Annual Report and Accounts for any relevant year is restated before the option becomes exercisable, the restated figure shall, unless the Remuneration Committee determines otherwise, be applied in determining whether the above targets are met. In addition, options shall only become exercisable in respect of any shares if the Committee in its absolute discretion determines that the overall financial performance of Xaar plc over the performance period is satisfactory.

(4) From 2017, revenue growth over the period, whereby 25% of the Awards will vest if the threshold target is achieved, below threshold 0% will vest and up to a maximum of 100% if the maximum revenue growth target or higher is achieved.

(5) From 2018, revenue from new products in the third year in the vesting period, whereby 25% of the Awards will vest if the threshold target is achieved, below threshold 0% will vest and up to a maximum of 100% if the maximum revenue target or higher is achieved.

(6) From 2019, Adjusted Basic EPS over the performance period, whereby 25% of the Awards will vest if the threshold target is achieved, below threshold 0% will vest and up to a maximum of 100% if the maximum EPS target or higher is achieved. TSR element over the performance period, whereby 25% of the Awards will vest if the median target v comparator group is achieved, below threshold 0% will vest and up to a maximum of 100% if the TSR ranking of the company is ranked in the upper quartile of the comparator group.

In addition, options shall only become exercisable in respect of any shares if the committee in its absolute discretion determines that the overall financial performance of Xaar plc over the performance period is satisfactory. All awards that will vest will be calculated on a straight-line basis.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**17. SHARE BASED PAYMENTS (continued)**

All awards made under this scheme are nil priced and 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 Group.

Key individuals have previously been invited to participate in a bonus matching scheme where matching LTIP share awards are granted when the employee invests their bonus in Xaar shares and retains ownership of these shares for the duration of the LTIP share award vesting period. The matching share award is a 1:1 match on the pre-tax value of the bonus used to acquire bonus investment shares. Matching LTIP share awards are subject to the same performance criteria as all other LTIP awards.

The weighted average share price at the date of exercise for LTIP awards exercised during the year was £nil (2019: £1.50). There were no Performance Share Awards made during the current and prior year. The performance share awards outstanding at 31 December 2020 had a weighted average remaining contractual life of 4 years (2019: 6 years).

The company recognised a total charge of £1,000 (2019: £10,000) related to equity-settled share-based payment transactions in the year.

**18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company is incorporated and domiciled in England and Wales. The registered office address is 3950 Cambridge Research Park, Waterbeach, Cambridge CB25 9PE.

At the year-end, the company was a wholly-owned subsidiary undertaking of Xaar plc, a company incorporated in England and Wales, registered number 03320972. The directors consider Xaar plc to be the ultimate controlling party of the company. The largest and smallest group in which the results of the company are consolidated is that headed by Xaar plc, whose registered office is 3950 Cambridge Research Park, Waterbeach, Cambridge CB25 9PE. The consolidated financial statements of the group are available to the public and may be obtained from the above address or at [www.xaar.com](http://www.xaar.com).