

Company Registration No. 03375961

XAARJET LIMITED

Annual report and unaudited financial statements

For the year ended 31 December 2020

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XAARJET LIMITED

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XAARJET LIMITED

STRATEGIC REPORT

The directors present their strategic report on the affairs of Xaarjet 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.

Section 172 (1) statement

From the perspective of the board, as a result of the Xaar plc group governance structure whereby the entity board is embedded within the Xaar plc group board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Xaar plc group board in relation both to the group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the Xaar plc group board has considered the matters set out in s172 (for the group and for the entity) is set out on page 52 of Xaar plc's group Annual Report and Financial Statements 2020, which does not form part of this report.

Principal activity and business review

The principal activity of the company is the development and commercial exploitation of inkjet printing technology.

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

	2020 £'000	2019 £'000	Change %
Turnover	35,883	35,194	2%
Gross margin/(loss)	20%	(13%)	33ppts
Profit/(loss) after tax	45,611	(63,274)	(172%)
Cash and deposits	6,332	10,078	(37%)

Turnover for the year increased by 2% to £35,883,000 (2019: £35,194,000). This was a positive impact of the new business model introduced (only selling to OEMs and UDIs) with consistent new business wins.

Gross margin for the year increased to 20% (2019: gross loss of 13%). This was primarily due to the substantial progress that has been made in reducing the cost base of the printheads to reduce not only variable costs but also removing, or reducing, fixed costs where possible.

Profit after tax was £45,611,000 during the year (2019: loss after tax £63,274,000). In 2020 this was driven by an exercise taking place to simplify the intra-group position and historic trading balances, with the majority of the creditor balance owing to Xaar Technology Limited being waived.. In 2019 the loss after tax of £63,274,000 was driven by the decision to cease Thin Film activities, which resulted in the impairment of £45,821,000 of assets.

Cash and deposit balances at the year-end were £6,332,000 (2019: £10,078,000). This largely reflects the continued investment in people, operations and new technologies throughout the year.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The principal risks and uncertainties of the company relate to key risk areas that can be identified as being associated with the following:

- Identification of market requirements – successfully developing products with the characteristics that meet market requirements within the necessary timescale;
- Commercialising and maintaining products with cutting edge technology – creating value by generating innovative products;
- Organisational capability – having the right people in the right roles;
- Competition – maximising returns over the long term in the target application through early adoption to achieve a market-leading position and then retention of that position;
- Brexit – tracking the potential impact of the UK Government's negotiations;
- Partnerships – working with the right companies, at the right time and on the right terms to deliver long term value;
- Exchange rates – monitoring global economic events and mitigating any resulting significant exchange rate impacts; and
- COVID 19: monitoring the impact on customers, supply chain and employees.

The first approach to managing these risks is to have high quality individuals within the necessary functions that these risks fall into. Other examples of the effective day to day management of these risks include operating multi-functional teams to share knowledge across the business, having regular stage gates in the management of development programmes, and the regular assessment of manufacturing capacity against future potential needs.

In addition to day to day processes the group's risk register is formally reviewed twice per year at senior management and Board level, including the assessment of the performance of risk management during the preceding period.

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

XAARJET 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.

XaarJet Limited is a private company limited by shares.

Section 172 statement

Employees

From the perspective of the board, as a result of the Xaar plc group governance structure whereby the entity board is embedded within the Xaar plc group board, the group board has taken the lead in carrying out the duties of a board in respect of the company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the company during the financial year). The board of the company has also considered relevant matters where appropriate. An explanation of how the Xaar plc group board has carried out these responsibilities (for the group and for the entity) is set out on the Corporate Governance section of Xaar plc's group Annual Report and Financial Statements 2020 on pages 52 to 97, which does not form part of this report.

Other stakeholders

Similarly, from the perspective of the board, as a result of the Xaar plc group governance structure whereby the entity board is embedded within the Xaar plc group board, the group board has taken the lead in carrying out the duties of a board in respect of the company's other stakeholders. The board of the company has also considered relevant matters where appropriate. An explanation of how the directors on the Xaar plc group board have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, is set out (for the Xaar plc group and for the entity) in Xaar plc's group Annual Report and Financial Statements 2020 as referred to in the previous paragraph.

Results and dividends

Turnover for the year was £35,883,000 (2019: £35,194,000) and comprised sales of printheads, related products, and development fees. The profit for the year after taxation was £45,611,000 (2019: loss after tax £63,274,000). Dividends of £6,000,000 were paid to Xaar plc in the year (2019: £nil). The directors do not recommend the payment of a final dividend for the current year.

Market trends and future developments

The strategy to drive the development of Xaar technology into selected multiple applications and industries, whilst delivering sustainable, profitable growth remains in force. Consequently, the company will continue to innovate, focusing on carefully selected market segments and products offering attractive commercial returns, in both existing and new applications. The company is well positioned to capitalise on the progressive shift from analogue to digital inkjet technology based printing.

XAARJET LIMITED

DIRECTORS' REPORT (continued)

Going concern

The company is a member of Xaar group of companies ('the group') whose ultimate parent company is Xaar plc, and is subject to the overall financing arrangements of the group. 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.

To date the impact of COVID-19 on the company's trading has been minimal, however we are now seeing some COVID-19 related supply constraints, for which actions are being taken to mitigate their impact and therefore the board continue to be optimistic on the future trading environment. The company continues to enjoy a healthy cash position and is well positioned to cope with the current situation. The board remains confident in the long-term future prospects for the company and its ability to continue as a going concern for the foreseeable future, 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 changes in foreign currency exchange rates, liquidity risk and credit risk.

The company generates revenues in US dollars, euros and pounds sterling. These are partially naturally hedged by supplies in these currencies, but the remainder requires conversion into sterling in order to fund the remaining costs of the company. The company may enter into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward contracts.

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 cash generation by its operations and applying cash collection targets where applicable. The company manages liquidity risk by maintaining adequate reserves and banking facilities by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposit with maturities no more than 12 months allowed per the policy.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Trade debtors consist of a large number of customers, spread across different industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade debtors. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

DIRECTORS' REPORT (continued)

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' 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.

XAARJET LIMITED

DIRECTORS' REPORT (continued)

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.

Equality, diversity and employee involvement

The company is committed to providing a working environment in which employees feel valued and respected and are able to contribute to the success of the business. Employees are requested to co-operate with the Xaar Group's efforts to ensure that the policy is fully implemented.

The company's aim is that its employees should be able to work in an environment free from discrimination, harassment and bullying, and that employees, job applicants, customers, retailers, business introducers and suppliers should be treated fairly regardless of:

- race, colour, nationality (including citizenship), ethnic or national origins;
- gender, sexual orientation, marital or family status;
- religious or political beliefs or affiliations;
- disability, impairment or age;
- real or suspected infection with HIV/AIDS;
- membership of a trade union; and
- that they should not be disadvantaged by unjust or unfair conditions or requirements.

The company aims to ensure that applications for employment from people with disabilities, and other under-represented groups, are given full and fair consideration and that such people are given the same training, development and job opportunities as other employees. Every effort is also made to retrain and support employees who suffer from disabilities during their employment, including the provision of flexible working to assist their re-entry into the workplace.

Human Resources policies are reviewed regularly to ensure that they are non-discriminatory and promote equality of opportunity. In particular, recruitment, selection, promotion, training and development policies and practices are monitored to ensure that all employees have the opportunity to train and develop according to their abilities.

The company places considerable value on the involvement of its employees and has continued to keep them informed of the various factors affecting the performance of the company and of the Xaar group of companies. This is achieved through formal and informal meetings. All employees participate in a bonus scheme based on individual performance and group business targets and, in the UK, have the opportunity to participate in an HMRC approved Share Save Scheme and Share Incentive Plan.

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



I Tighias

Director

21 September 2021

3950 Cambridge Research Park

Waterbeach, Cambridge

CB25 9PE

XAARJET LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	35,883	35,194
Cost of sales		(28,570)	(39,835)
Gross profit/(loss)		7,313	(4,641)
Research and development expenses		(5,025)	(7,308)
Research and development expenditure credit		239	2,366
Loss from business disposal		(344)	(45,821)
Administrative expenses		(7,481)	(8,984)
Intra-group balance waived		51,000	-
Operating profit/(loss)		45,702	(64,388)
Interest receivable and similar income	5	37	61
Interest payable and similar expenses	6	(75)	(80)
Profit/(loss) before taxation	4	45,664	(64,407)
Tax on loss	8	(53)	1,133
Profit/(loss) for the financial year		45,611	(63,274)

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.

XAARJET LIMITED

BALANCE SHEET
As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	9	147	331
Tangible assets	10	14,710	17,471
Right of use asset	11	1,998	2,582
		16,855	20,384
Current assets			
Stocks	12	7,807	12,298
Debtors	13	13,053	17,685
Treasury deposits	14	122	522
Assets held for sale	10	43	-
Cash at bank and in hand		6,210	9,556
		27,235	40,061
Creditors: amounts falling due within one year	15	(11,985)	(113,817)
Net current asset/(liabilities)		15,250	(73,756)
Total assets less current liabilities		32,105	(53,372)
Creditors: amounts falling due after more than one year	15	(1,481)	(2,112)
Provisions for liabilities	16	(357)	(2,820)
Net assets/(liabilities)		30,267	(58,304)
Capital and reserves			
Called up share capital	18	-	-
Capital contribution reserve		59,299	10,150
Profit and loss account		(29,032)	(68,121)
Equity attributable to shareholders		30,267	(58,304)

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 XaarJet Limited, registered number 03375961, 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

XAARJET LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share capital £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2019		-	9,386	(4,847)	4,539
Shares allotted in the year		-	-	-	-
Comprehensive loss for the year		-	-	(63,274)	(63,274)
Credit to equity for share- based payments	20	-	764	-	764
At 31 December 2019 (as reported)		-	10,150	(68,121)	(57,971)
Prior year correction	21	-	-	(333)	(333)
At 31 December 2019 (as restated)		-	10,150	(68,454)	(58,304)
Capital contribution		-	49,000	-	49,000
Comprehensive profit for the year		-	-	45,611	94,611
Credit to equity for share- based payments	20	-	149	(189)	(40)
Dividends paid	19	-	-	(6,000)	(6,000)
At 31 December 2020		-	59,299	(29,032)	30,267

The prior year correction of £333,000 is in relation to management recharge from group undertaking that was not recognised in the previous years. This is now being corrected and recognised in profit and loss account.

XAARJET LIMITED

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 22.

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 is a member of Xaar group of companies ('the group') whose ultimate parent company is Xaar plc, and is subject to the overall financing arrangements of the group. 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.

To date the impact of COVID-19 on the company's trading has been minimal, however we are now seeing some COVID-19 related supply constraints, for which actions are being taken to mitigate their impact and therefore the board continue to be optimistic on the future trading environment. The company continues to enjoy a healthy cash position and is well positioned to cope with the current situation. The board remains confident in the long-term future prospects for the company and its ability to continue as a going concern for the foreseeable future, thus they continue to adopt the going concern basis in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

Where covered by forward currency contracts, debtors and creditors at the year-end are converted at the forward currency rate.

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. For sale of goods and services revenue is recognised at a point in time, unless specific conditions have been satisfied allowing revenue to be recognised over a period of time.

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.

Government grants

Government grants relating to research and development are treated as income over the periods necessary to match them with the related costs.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

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.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities are classified at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included within 'other gains and losses' in profit or loss.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included within 'other gains and losses' in profit or loss.

XAARJET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

Stocks

Stocks are stated at the lower of cost and net realisable value, less provision for impairment. Cost is calculated using the first in, first out (FIFO) cost formula, by applying the standard cost methodology, with costs including direct materials, direct labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity that have been incurred in bringing the stocks to their present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where applicable.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is 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 three to 20 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

The amortisation period for the capitalised development costs is ten or twenty years on a straight-line basis, based on the directors' estimate of their useful economic life. Amortisation of these assets commences when the assets are ready for their intended use.

Other intangible assets

Costs incurred in maintaining the patent and trademark portfolio are written off to the profit and loss account as incurred. Payments in respect of software, external product development costs and licence rights acquired are capitalised at cost and amortised on a straight-line basis over their estimated useful lives on the following basis.

Software	Three to 15 years
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Treasury deposits

Treasury deposits comprise cash deposits held in notice accounts or demand deposit accounts that are convertible to a known amount of cash with an original maturity of up to twelve months, which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted where the effect of the time value of money is material.

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.

The 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 are as follows:

Inventory provision (estimation uncertainty)

The inventory provision at 31 December 2020 includes £23,211,000 (2019: £20,101,000) relating to slow moving finished goods including inventory associated with the discontinued operations relating to Thin Film. These provisions have been made based on management's assessment of customer sell through, market conditions, current and potential competitors, and the ageing profile of the inventory and the volume of inventory on hand. Furthermore, management has assessed the likely time period to sell the inventory and the ability to decrease prices to drive sales.

XAARJET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Credit provision for the allowance of doubtful debts (estimation uncertainty)

The company had provision for doubtful debts at 31 December 2020 totalling £587,000 (2019: £7,874,000). This relates to management's assessment of the ageing profile of receivables and the risk of collecting unpaid overdue balances. In making the estimate, management has taken steps to assess the ongoing viability of the customers, the probability and timing of repayment, external factors which may affect the customers' ability to pay and historical data relating to settlement of aged debts.

Further information on receivables can be found in note 13.

Capitalisation of development costs (accounting judgement)

The company capitalises development expenditure as an intangible asset where the criteria under IAS 38 Intangible Assets is met. This requires management to make judgement on when all of the criteria for capitalisation are met and when to cease capitalisation and start amortising the asset (see note 9).

3. TURNOVER

	2020 £'000	2019 £'000
Turnover by class of business:		
Printheads	35,883	35,194

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

	2020 £'000	2019 £'000
EMEA	18,569	19,956
Asia	9,372	6,489
Americas	7,942	8,749
	35,883	35,194

4. PROFIT/(LOSS) BEFORE TAXATION

	2020 £'000	2019 £'000
Profit/(loss) before taxation is stated after charging/(crediting):		
Net foreign exchange loss/(profit)	46	228
Cost of inventories recognised as expense (including write down of inventories)	25,191	26,455
Writedown of inventories recognised as expense	3,621	7,848
Restructuring costs	184	1,424
Research and development expenditure (including R&D related staff costs)	5,025	7,308
Government grants towards research and development	-	(2)
Depreciation		
- on assets owned	3,122	3,081
- right of use asset	584	503
Amortisation of intangible assets	143	958
Loss on disposal of tangible fixed assets	204	3
Intra-group balance waived	(51,000)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROFIT/(LOSS) BEFORE TAXATION (continued)

	2020 £'000	2019 £'000
Audit fees		
Fees payable to the company's auditors for the audit of the company's annual accounts	-	44

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 (2019: £44,000). There is also no non-audit fees that were payable to the company's auditor in the current or previous 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 balance owing to Xaar Technology Limited 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	37	61

6. INTEREST PAYABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
IFRS 16 lease interest expense	75	80

7. STAFF COSTS

	2020 £'000	2019 £'000
Employee costs during the year amounted to:		
Wages & Salaries	9,185	12,050
Social Security	978	1,268
Other pension costs	495	654
Share-based payments	(40)	764
	10,618	14,736

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

	2020 No.	2019 No.
Research and development	36	50
Sales and marketing	21	26
Manufacturing and engineering	145	189
Administration	8	14
	211	279

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.

XAARJET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TAX

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	44	-
Adjustment in respect of prior years	9	(106)
Foreign tax suffered	-	7
Total current tax charge	53	(99)
Deferred tax		
Origination and reversal of timing differences	-	(951)
Adjustment in respect of prior years	-	(172)
Effects of changes in tax rates	-	89
Total deferred tax charge	-	(1,034)
Total tax expense/(credit) for the year	53	(1,133)

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
Profit/(loss) before tax	45,664	(64,407)
Tax on ordinary activities at standard rate of 19% (2019: 19%)	8,676	(12,237)
Effects of:		
Expenses/(income) not deductible /(taxable) for tax purposes	(9,715)	(360)
Effect of change in UK Corporation tax rate	-	89
Current year losses not recognised	-	7,441
Deferred tax asset and other amounts not recognised	1,083	4,212
Adjustment in respect of prior years	9	(278)
Total tax expense/(credit) for the year	53	(1,133)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INTANGIBLE FIXED ASSETS

	Capitalised development costs £'000	Software and licenses £'000	Total £'000
Cost			
At 1 January 2020	36,443	2,714	39,157
Reclassification	2,243	(40)	2,204
At 31 December 2020	38,686	2,674	41,361
Amortisation			
At 1 January 2020	36,284	2,542	38,826
Reclassification	2,245	-	2,245
Charge for the year	82	60	143
At 31 December 2020	38,611	2,602	41,214
Net book value			
At 31 December 2020	75	72	147
At 31 December 2019	159	172	331

Internally generated product development costs relate to the Platform 2, Platform 3 and Platform 4 ranges of printheads and technology. Platform 2 and Platform 3 are fully amortised.

Amortisation of Platform 4 commenced in August 2017 and was being amortised over a period of 20 years prior to the decision to cease all Thin Film activities. Following the decision to discontinue the Thin Film operation the Platform 4 range has been fully impaired (an impairment of £28,494,000) based on its fair value less costs to sell.

The amortisation period for software is three to 15 years and for other product development costs incurred on the companys product development is 20 years.

During the current and preceding year, the company had no contractual commitments for the acquisition of software or other product development costs.

XAARJET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Plant and machinery £'000	Furniture, fitting and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 2020	12,546	65,713	1,819	-	80,078
Reclassification	(238)	(382)	(14)	(3)	(637)
Additions	-	539	334	-	873
Transfers	-	(779)	-	-	(779)
Disposals	-	(367)	-	-	(367)
At 31 December 2020	12,308	64,725	2,138	(3)	79,169
Amortisation					
At 1 January 2020	7,054	53,873	1,680	-	62,607
Reclassification	(0)	(677)	(2)	-	(679)
Charge for the year	528	2,536	59	-	3,122
Transfers	-	(688)	-	-	(688)
Disposals	-	(179)	-	-	(179)
Impairment	-	276	-	-	276
At 31 December 2020	7,581	55,141	1,737	-	64,458
Net book value					
At 31 December 2020	4,727	9,584	402	(3)	14,710
At 31 December 2019	5,492	11,840	139	-	17,471

Impairments in 2020 of £276,000 (2019: £5,054,000) are almost all in relation to the Thin Film closure. These assets have been valued at fair value.

As at 31 December 2020, the company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £218,000 (2019: £71,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 January 2020	4,609	85	15	4,709
Disposal	-	-	(15)	(15)
At 31 December 2020	4,609	85	-	4,694
Depreciation				
At 1 January 2020	2,080	34	13	2,127
Charge for the year	566	16	2	584
Disposal	-	-	(15)	(15)
At 31 December 2020	2,646	50	-	2,696
Carrying amount				
At 31 December 2020	1,963	35	-	1,998
At 31 December 2019	2,529	51	2	2,582

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

	£'000
At 1 January 2020	2,889
Additions	-
Accretion of interest	75
Payments	(470)
At 31 December 2020	2,494
Current	1,014
Non-current	1,480
	2,494

XAARJET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. STOCKS

	2020 £'000	2019 £'000
Raw materials and consumables	4,183	6,707
Work in progress	1,311	1,684
Finished goods and goods for resale	2,313	3,907
	7,807	12,298

There is no material difference between the balance sheet value of stock and their replacement cost.

13. DEBTORS

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade debtors	4,888	4,800
Amounts owed by parent undertaking	4,995	-
Amounts owed by group undertakings	1,205	9,496
Prepayments and accrued income	1,107	1,446
Other receivables	672	775
Corporation tax	186	1,168
	13,053	17,685

Amounts owed by parent and 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.

14. TREASURY DEPOSITS

	2020 £'000	2019 £'000
Treasury deposits	122	522

Treasury deposits comprise bank deposits with an original maturity of between three months and 12 months. The carrying amount of these assets approximates their fair value.

15. CREDITORS

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade creditors	1,927	2,897
Amounts owed to parent undertaking	-	49,110
Amounts owed to group undertakings	3,700	58,293
Other taxation and social security	380	407
Other payables and accruals	4,965	2,333
Lease liabilities (see note 11)	1,013	777
	11,985	113,817

XAARJET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. CREDITORS (continued)

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. An exercise took place in 2020 to simplify the intra-group position and historic trading balances. £51,000,000 of XaarJet Limited's balance owing to Xaar Technology Limited has been waived, which is included as a line item in the income statement. £49,000,000 of XaarJet Limited's balance owing to Xaar plc has been waived, which has been accounted for as a capital contribution.

	2020 £'000	2019 £'000
Amounts falling due within one year		
Lease liabilities (see note 11)	1,481	2,112

17. PROVISION FOR LIABILITIES

	Warranty and commercial disputes £'000	Restructuring £'000	Total £'000
At 1 January 2020	248	2,572	2,820
Additional provisions in the year	71	685	756
Utilisation of provision	(121)	(2,978)	(3,099)
Release of provision	(120)	-	(120)
At 31 December 2020	78	278	357

The warranty and commercial disputes provision represents management's best estimate of the company's liability related to claims against product warranties or commercial sales agreements. The timing of the utilisation of this provision is uncertain.

Additional restructuring provisions of £685,000 and subsequent utilisation of £2,978,000 were primarily in relation to the strategic review of the business and conclusion of the redundancy programme.

18. CALLED UP SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

19. DIVIDENDS

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the financial year:		
Interim dividend for the year ended 31 December 2020 of £3,000,000 (2019: £nil) per share	6,000	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. 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.

An option granted under the Xaar plc 2004 share option plan before 2011 will be exercisable over shares with a market value at the date of grant not exceeding a person's annual salary if at the third anniversary of grant the *Earnings Per Share (EPS) growth of the company since grant has exceeded the growth in the Retail Prices Index (RPI) over the same period by at least 12%*. To the extent that an option relates to shares with a market value as at the date of grant in excess of a person's annual salary, the option will be exercisable over all of the excess shares if EPS growth over this period has exceeded RPI growth by at least 15%. For EPS performance between these two points, options will be exercisable over the excess shares on a sliding scale.

In addition options can only be exercised if EPS is at least 5.5p for the financial year preceding the third anniversary of grant. Performance may be retested once only from the date of grant to the fourth or fifth anniversary of grant (at the discretion of the remuneration committee), but the original EPS growth targets will be increased from 12/15% to 16/20% and 20/25% respectively. The 5.5p target will apply for the final financial year in the extended period.

An option granted under the Xaar plc 2004 share option plan from 2011 onwards, will be exercisable over shares with a market value at the date of grant not exceeding a person's annual salary, *if at the third anniversary of grant, Xaar plc has achieved positive adjusted profit before tax as shown in the consolidated income statement in the company's Annual Report and financial statements 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 financial statements 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.*

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. SHARE BASED PAYMENTS (continued)

The weighted average share price at the date of exercise for share options exercised during the year was £1.11 (2019: £0.78). There were no options granted in 2020. In 2019, options were granted on 1 December. The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 6 years (2019: 3 years), and a range of exercise prices between 0 pence and 159 pence.

Long Term Incentive Plan

Xaar Plc's Long Term Incentive Plan is open to all employees of the company. As at 31 December 2020, 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. SHARE BASED PAYMENTS (continued)

(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.

There are also a number of LTIP share awards granted that are subject to the achievement of different performance conditions for specific individuals, dependent on revenue or profit performance over a set performance period.

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.

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 awards exercised during the year was £0.61 (2019: £0.69). In 2020, Performance Share Awards were made on 29 April 2020 and 1 October 2020. The performance share awards outstanding at 31 December 2020 had a weighted average remaining contractual life of 8 years. In 2019, Performance Share Awards were made on 2 April 2019 and 30 April 2019. The performance share awards outstanding at 31 December 2019 had a weighted average remaining contractual life of 7 years.

The company recognised a total charge of £149,000 (2019: £764,000) related to share-based payment transactions in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. PRIOR YEAR RESTATEMENT

	2019 As previously reported £'000	Intercompany recharges £'000	2019 Restated £'000
Fixed assets			
Intangible assets	331	-	331
Tangible assets	17,471	-	17,471
Right of use asset	2,582	-	2,582
	20,384	-	20,384
Current assets			
Stocks	12,298	-	12,298
Debtors	17,685	-	17,685
Treasury deposits	522	-	522
Assets held for sale	-	-	-
Cash at bank and in hand	9,556	-	9,556
	40,061	-	40,061
Creditors: amounts falling due within one year	(113,484)	(333)	(113,817)
Net current asset/(liabilities)	(73,423)	(333)	(73,756)
Total assets less current liabilities	(53,039)	(333)	(53,372)
Creditors: amounts falling due after more than one year	(2,112)	-	(2,112)
Provisions for liabilities	(2,820)	-	(2,820)
Net assets/(liabilities)	(57,971)	(333)	(58,304)
Capital and reserves			
Called up share capital	-	-	-
Capital contribution reserve	10,150	-	10,150
Profit and loss account	(68,121)	(333)	(68,454)
Equity attributable to shareholders	(57,971)	(333)	(58,304)

The financial statements include a prior year restatement in relation to historic intercompany trading balances with certain Group creditors.

22. 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.