REGISTERED NUMBER: 05933013 (England and Wales)

Strategic Report, Directors' Report and Financial Statements for the Year Ended 31 December 2022
For
Xeros Limited

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for the year ended 31 December 2022

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Company Information
for the year ended 31 December 2022

Directors:	N A Austin C J Cullinane
Secretary:	A W R Tristram
Registered Office:	Unit 2, Evolution Advanced Manufacturing Park Whittle Way, Catcliffe Rotherham S60 5BL
Registered Number:	05933013 (England and Wales)
Auditor:	Grant Thornton UK LLP Chartered Accountants Registered Auditor No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN

Strategic Report
for the year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Review of the business
The loss after taxation for the year ended 31 December 2022 is £5,827,578 (2020: £5,234,897). The Company's key financial and other performance indicators during the period were as follows:

	2022	2021
	£	£
Turnover	134,930	412,654
Operating loss	(5,886,220)	(5,741,184)
Loss for the financial period	(5,400,633)	(5,234,897)
Shareholders deficit	(115,366,244)	(109,793,625)

In 2022 the Company continued to work towards its strategy of being an IP-rich and asset-light commercialisation business founded upon its strong and defendable intellectual property ('IP') portfolio. The Company's technology is protected by close to 40 patent families which are in application or have been grated with key patent lives extending through to the mid to late 2030s. The Company's policy is to file patents in countries with large potential markets and where it believes it can successfully defend its intellectual property. The Company also underwent leadership changes in the year, with Neil Austin replacing Mark Nichols as Group Chief Executive Officer and the announcement that Paul Denney would step down as Group Chief Financial Officer at the end of February 2023, with Alexander Tristram being appointed Director of Finance.

2022 was a challenging year for Xeros, with the Company not yet managing to deliver tangible evidence of market adoption at scale. Consequently, the Company's parent company, Xeros Technology Group plc, had to complete a further £6.3m equity fundraise during the period.

Despite this challenging year for Xeros, the Company has continued to make solid progress in all major business areas, and the Directors believe that long-term trends remain very favourable.

In the denim processing business, the Company has progressed a brand-endorsed trial with a major European fashion retailer through a partnership between the brand and their supply chain. A Xeros enabled machine has been installed in one of the retailers preferred denim suppliers at their request, and has demonstrated very positive initial results showing significant water and energy savings.

The Company's attendance in May 2023 at ITMA in Milan, the world's most influential textile and garment technology exhibition, will see further amplification of the Xeros story to the apparel processing machinery manufacturer, garment manufacturer and fashion brand community.

Qualus, a leather processing spin out which uses Xeros proprietary technology, has continued to make good progress with further factory installations in Mexico, Brazil, India, and South-East Asia for the processing of leather hides. Although not materially relevant from a revenue perspective, in this 'start-up' phase this further highlights the receptivity of the apparel and accessory industry adoption for core Xeros technology.

Further validation of the strength of the Company's XFilter proposition came with the signing in March 2023 of two commercial development agreements with two of Europe's largest, most reputable and established component suppliers to the major Domestic Appliance Industry. Alongside the partnership with Hanning, Xeros is now perfectly placed to service OEM brand requirements for filtration.

Last year Xeros co-created a letter sent to the UK Environment Secretary demanding legislation for filtration in washing machines. This led to a direct discussion with the Minister and the Department of

Environment, Food and Rural Affairs and Xeros continues to support a UK private members bill on this very topic. This year we are readying facts and evidence to coincide with the EU's recommendations, currently scheduled to be published in May 2023, on 'Measures to Reduce the Impact of Microplastic Pollution on the Environment'. This evidence will also be used to support a new bill in California to mandate microfibre filtration in washing machines that was introduced in February of this year and has passed the first committee hearing. Xeros are working closely with the NGO 5 Gyres, who co-authored the bill, to support the filtration effectiveness and standards. Xeros continue to be recognised for leading these standards as highlighted by a Washington Post article earlier this year that referenced the University of Plymouth study concluding that XFilter is the most effective microfibre capture system for the laundry industry.

With France having established a precedent by mandating a deadline of 1 January 2025 for a microfibre capture requirement in all washing machines, the rest of the EU, the UK and California are expected to follow suit. The Xeros view is that with XFilter partnerships in place, we are well-positioned to respond to an imminent need for five of the leading global washing machine markets.

In the Commercial laundry business unit it was announced in December 2022 that IFB have commenced a trial with Indian Railways, of the XDrum and XOrb technology in a 90kg capacity machine. This trial is taking learnings from the successful model used by Xeros' partner Georges in France with SNCF. The ultimate aim is for Indian Railways to use the technology to drive energy and cost efficiences to launder the linens used on sleeper trains across India. Indian Railways is one of the largest organisations in India and is an established customer of IFB.

The Georges business continues to thrive with six new Xeros enabled machines installed in line with Georges tripling their production capacity in 2022. This demonstrates that Europe's leading businesses, such as SNCF and Air France, are prepared to commercially back companies like Georges that use the Xeros technology as part of their proposition.

In Asia, the Company's licensing partner Jiangsu SeaLion Technology Developments Company ("SeaLion"); the largest commercial laundry manufacturer in China is cautiously optimistic about a revival of the Chinese hospitality industry following China's exit from a prolonged Covid-related lockdown in January. They remain a well-placed partner for that region in the long term.

The Company's partnership with IFB facilitated a significant milestone in December with the launch of a commercial / consumer cross-over semi-professional 11kg machine. Fulfilling a long-held aspiration, the Xeros Care technology is now available for use by consumers in India in their homes.

At the time of writing IFB continue to make technical progression in order to facilitate a mass market launch to the 280m+ households in India.

As a technology licensing business, the Company has the benefits of low overheads and an ability to scale up significantly at a high gross-margin with minimal cost increase. The other side of the coin however is that Xeros is unable to directly influence timings and the 'Go to Market' decisions. Indeed, as the Company is offering innovation to the market this is further heightened.

That said consumer sentiment and the regulatory environment mean that in 2023 and 2024 Xeros expects and plans to reach a point of commercialisation on all three of our technology propositions. Furthermore, Xeros firmly believes that early adopter licensing brands will pave the way for inevitable wider market implementation globally.

Principal risks and uncertainties

Dependence on key executives and personnel and the ability to attract and retain appropriately qualified personnel

The Company's future success is substantially dependent on the continued services and performance of its executive Directors and senior management, and its ability to attract and retain suitably skilled and experienced personnel. The Company cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

In mitigation, the Company seeks to appropriately reward and incentivise key Company personnel, alongside succession planning to reduce the impact of departures should they occur,

Intellectual property

The Company's success will depend in part on its ability to maintain adequate protection of its intellectual property, covering its processes and applications. The intellectual property on which the Company's business is based is a combination of patent applications and proprietary know-how. Patents for which the application is pending or for which applications are expected in the future may not be granted or that any such grant will be on a timely basis. The Company believes that the portfolio it holds is robust but there remains a risk that the portfolio will not provide the anticipated commercial advantages, or that the patents within it will be held valid if challenged or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Company.

The Company is also subject to risks that others may develop similar products to the Company, duplicate any of the Company's products or design around any patent applications held by the Company. Others may hold or receive patents which contain claims having a scope that covers products developed by the Company (whether or not patents are issued to the Company). In addition, no assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented technology.

Any claims made against the Company's intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Company's resources.

In mitigation of the above risks, the Company holds significant patent litigation insurance, on which it could call should any litigation be required, in either in defense of a claim against the Company or to prosecute those it believes infringe on IP protected rights. The Company actively engages in contingency planning, both internally and externally, and continues to monitor the wider IP landscape as to be aware of any relevant issues.

Acceptance of the Company's products

The success of the Company will depend on the market's acceptance of, and attribution of value to, its core technologies and the benefits of incorporating the same into various applications. There can be no guarantee that this acceptance will be forthcoming, that an acceptable value will be placed upon such technology, or that the Company's core technology will succeed as an alternative to other applications.

The Company has performed extensive testing, both internally and with its technology partners, to ensure that the technology works and can fit into the processes and equipment in the production chain. The Company acts as an influencer and thought leader to provide a path to long term advocacy and acceptance within the relevant industries.

Lack of progress within the legislative environment

The Company expects the legislative environment for domestic laundry filtration to be a significant factor in widespread adoption of Company's technology. The remains a risk that the relevant legislation within the Company's target markets is not enacted, or that the legislation that is enacted is not of the standards anticipated.

The Company works with industry and NGO partners to provide the relevant support and data to legislative assemblies in important jurisdictions, and continues to lobby for the protections it believes are required to safeguard the environment from worsening microparticle pollution. In addition, the Company has multiple applications with commercial potential and as such spreads risk in this way.

Supply and logistics of key materials
The Company is dependent on a small number of key suppliers for the production, manufacture and logistics of key materials used in the Company's technology and by licence partners. There remains a risk that these suppliers cannot fulfil the Company's requirements on terms the Company considers acceptable and this could cause delays in the commercialisation of the Company's technology, or reduce the returns from the Company's commercial agreements.

The Company has been working with a number of suppliers for key materials, and seeks to have long term sourcing agreements in place with multiple suppliers to mitigate this risk.

IT security
There is a risk that the Company suffers a breach of IT security, including a ransomware attack or significant data breach.

In mitigation, the Company has strong IT security policies, and requires all staff to complete regular training to ensure they are up to date with the latest developments.

Risk of competing technology
There is a risk that technological advances in competing technology and/or the lower cost of such technology may impede the commercial exploitation of the Company's technology.

In mitigation, the Company has developed specific propositions to offer to customers and continues to monitor the global marketplace to keep up to date with the latest developments.

Economic conditions, current economic weakness and geopolitical risks
Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Company's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Company's sales, restricting the Company's ability to generate a profit.

As a UK domiciled business, the Company is exposed to the risks associated with the UK's decision to leave the EU ("Brexit"). The Board expects future revenues from the commercialisation of its technology in the EU to be in the form of royalties on its intellectual property. The international patent laws that apply to the protection of intellectual property are not affected by the status of the UK's membership of the EU and, therefore, the Board does not view Brexit as posing a material risk to the Company's future revenues.

Travel restrictions and the associated disruption of Covid-19 have caused a significant level of economic uncertainty on a global basis. Any additional disruption may have a negative impact upon the Company's ability to work closely with international license partners.

The Company operates, or is seeking to develop its operations, in several geographic regions and countries, some of which are categorised as developing and, as a result, is exposed to a wide range of political, economic, regulatory, social and tax environments. These environments are subject to changes in a manner that may have a material adverse effect on the Company, including changes to government policies and regulations governing import and export controls, tariffs, subsidies, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), repatriation of income, royalties, the environment, labour and health and safety. The geopolitical risks associated with operating in a variety of regions and countries, if realised, could affect the Company's operations and could have a material adverse effect on the Company's business, financial condition or results.

Exposure to credit, liquidity foreign currency and market risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is potentially exposed to credit risk from credit sales, but the Directors consider this to be a low risk. At 31 December 2022, the Company had £23,347 of trade receivables outstanding (after provision for bad and doubtful debts) (31 December 2021: £108,455).

The Company is exposed to credit risk in respect of these balances such that, if one or more customers, or a counterparty to a financial instrument, encounters financial difficulties, this could materially and adversely affect the company's financial results. The Company attempts to mitigate credit risk by assessing the credit rating of new customers and financial counterparties prior to entering into contracts and by entering into contracts with Customers on agreed credit terms.

At 31 December 2022, the directors have made provisions for bad and doubtful debts amounting to £54,500 (2021: £56,217).

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its future obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet its expected cash requirements.

Foreign currency risk arises from adverse changes in exchange rates between Sterling, the US dollar and the Euro. Transaction exposures arise mainly from purchases and sales made in Euro. The Company's policy is to seek to reduce exposure to currency fluctuations and to achieve this aim, it enters into forward foreign currency contracts where appropriate.

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. Market interest rate risk arises from the Company's holding of cash and cash equivalent balances. The Board make ad hoc decisions at their regular Board meetings, as to whether to hold funds in instant access accounts or longer-term deposits. All accounts are held with reputable UK banks. These policies are considered to be appropriate to the current stage of development of the group and will be kept under review in future years.

On behalf of the board:

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N A Austin – Director

17 April 2023

Directors' report
for the year ended 31 December 2022

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2022.

Dividends
The directors do not recommend the payment of a dividend (2021: £nil)

Research and development
The Company has continued to research and develop its technologies during the period. The Company incurred research and development expenditure of £259,119 (2021: £314,603) which has been charged to the Statement of Comprehensive Income.

Future developments
The company intends to continue operating in the area of development and commercialisation of polymer technologies across large industries that use significant amounts of water and chemistry as well as in the area of microparticle filtration. The Company is in the process of transitioning to a pure licencing model and therefore has exited or is exiting the areas of its business in which direct sales are made to end users. The Company expects this development to continue in all areas of the business going forward and has signed a number of commercial deals to this end.

Directors
The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report unless otherwise stated.

N A Austin (appointed 1 August 2022)
M J Nichols (resigned 1 August 2022)
P M Denney (resigned 28 February 2023)
C J Cullinane

Financial Instruments
The company finances its activities with a combination of cash and short-term deposits as disclosed in notes 15 and 16. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities. Financial instruments give rise to foreign currency, interest rate, credit and liquidity risk. Information on how these risks arise is set out below, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Going Concern
The company's business position, together with the risk factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 2 to 6. The company is currently loss making due to the early stage of commercial operations. 2022 was a year where significant commercial revenue was not generated from customers with contracts due to a number of factors, including delays and the stages of those contracts.

The company retains the support of its immediate parent company, Xeros Technology Group plc and is reliant on this support to continue in operation. The Directors of Xeros Ltd believe that the Group and therefore the Company, has sufficient cash resources to meet its obligations as they fall due, with some changes to discretionary expenditure, if necessary. However, given the current commercial position of the Group the Directors acknowledge that the Group's – and therefore the Company's - current cash position does not provide certainty beyond this point and may not, with the current rate of cash outflow and the uncertainty over the Company's revenue, provide the Company with the resources to reach a cash breakeven point.

The Directors consider that they have a number of options in place that may allow them to reach this breakeven point. These include existing and potential commercial agreements and further restriction on discretionary spending. Given the lack of certainty around these scenarios, the Directors consider the Group's current funding positions constitutes a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern, and in the absence of significant customer revenue, the Group's cash resources will run out.

Notwithstanding this uncertainty, the Directors believe that they have sufficient options in place in order to allow the Group to continue trading in the short and medium term. Therefore, after making enquiries and considering the uncertainties as described above, the Directors have a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going basis of accounting in preparing this financial information.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board:

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N A Austin – Director

17 April 2023

Statement of Directors' Responsibilities
for the year ended 31 December 2022

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

Company law required the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 these state of affairs and 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 judgements 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.

Disclosure of information to the auditor

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board:

Neil Austin – Director
17 April 2023

Independent auditor's report to the members of Xeros Limited

Opinion

We have audited the financial statements of Xeros Limited (the 'company') for the year ended 31 December 2022, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which indicates that the company relies on intercompany financing provided by its parent Xeros Technology Group plc. That company's Directors believe that the current levels of cash held provide the Group with sufficient cash to meet its obligations as they fall due for at least twelve months, with some changes to discretionary expenditure, if necessary. However, given the current position of the Group its Directors acknowledge that the Group's current cash position does not provide certainty beyond that point and may not, with its current rates of cash outflow and the uncertainty over the timing and quantum of its future revenues, provide the Group with the resources to reach a cash breakeven point and provide any necessary financial support to the Company. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the strategic report and directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the strategic report and directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company, and the industry in which it operates. This was achieved through inquiries of management and a review of board minutes and papers provided to the Audit Committee. We determined that the following laws and regulations were most significant; United Kingdom Generally Accepted Accounting Practice, and the Companies Act 2006. In addition, we concluded that there are certain laws and regulations that may have effect on the determination of the amount and disclosures in the financial statements including the Data Protection Act and Employment Law and those laws and regulations that relate to health and safety;
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee;
- We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, or suspected, fraud. We corroborated the results of our enquiries to supporting documentation such as board minutes reviews and papers provided to the Audit Committee. From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulation or in relation to fraud;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner has assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the group and parent company operate, and its practical experience through training and participation with audit engagements of a similar nature. All team members are considered to have sufficient knowledge and experience of companies of a similar size and complexity, appropriate to their role within the team;
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition and
- We obtained an understanding of the group's operations, including the nature of its revenue sources, expected financial statements disclosures and business risks that may result in a risk of material misstatement; and the group's control environment including the adequacy of procedures for authorisation of transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
17 April 2023

Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 £	2021 £
Revenue	4	**134,930**	412,654
Cost of sales		**(60,003)**	(217,181)
Gross Profit/(loss)		**74,927**	195,473
Administrative expenses		**(5,960,564)**	(5,929,929)
		(5,885,637)	(5,734,456)
Other operating (costs)/income		**(16,059)**	(6,728)
Operating loss		**(5,901,696)**	(5,741,184)
Interest receivable and similar income	6	**15,476**	17,287
Interest payable and similar expenses	7	**(29,682)**	(2,792)
Loss before taxation		**(5,915,902)**	(5,726,689)
Tax on loss	10	**515,269**	491,792
Loss for the financial year		**(5,400,633)**	(5,234,897)
Other comprehensive income		-	-
Total comprehensive income for the year		**(5,400,633)**	(5,234,897)

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital	Share premium	Capital contribution	Retained earnings	Total equity
	£	£	£	£	£
Balance as at 1 January 2021	24	15,503,140	2,767,121	(123,168,869)	(104,898,584)
Changes in equity					
Total comprehensive income	-	-	-	(5,234,897)	(5,146,321)
Share based payment charge	-	-	339,856	-	339,856
Balance as at 1 January 2022	24	15,503,140	3,106,977	(128,403,766)	(109,793,625)
Changes in equity					
Total comprehensive income	-	-	-	(5,400,633)	(5,400,633)
Share based payment charge	-	-	(171,986)	-	(171,986)
Balance as at 31 December 2022	24	15,503,140	2,934,991	(133,804,399)	(115,366,244)

Statement of Financial Position

As at 31 December 2022

	Notes	2022 £	2021 £
Non-current assets			
Property, plant & equipment	11	**820,320**	127,831
Debtors	14	**5,539**	30,259
		825,859	158,090
Current assets			
Inventories	13	**164,151**	107,788
Debtors	14	**306,802**	309,923
Cash on deposit	15	**3,733**	5,323,146
Cash & cash equivalents	16	**759,715**	2,155,268
		1,234,401	7,896,125
Creditors			
Amounts falling due within one year	17	**(116,763,618)**	(117,809,425)
		(116,763,618)	(117,809,425)
Net current liabilities		**(115,529,217)**	(109,913,300)
Total assets less current liabilities		**(114,703,358)**	(109,755,210)
Non-current liabilities			
Provisions for liabilities	20	**(38,415)**	(38,415)
Right of use liabilities		**(624,471)**	-
		(662,886)	(38,415)
Net liabilities		**(115,366,244)**	(109,793,625)
Capital and reserves			
Called up share capital	21	**24**	24
Share premium	22	**15,503,140**	15,503,140
Capital contributions	22	**2,934,991**	3,106,977
Retained earnings	22	**(133,804,399)**	(128,403,766)
Shareholders' funds		**(115,366,244)**	(109,793,625)

The notes to the financial statements on pages 17 – 34 form part of these financial statements.

The financial statements were approved by the Board of Directors on 17 April 2023 and were signed on its behalf by:

Neil Austin
Director

Notes to the Financial Statements
for the year ended 31 December 2022

1. Authorisation of Financial Statements and Compliance with FRS 101

The financial statements of Xeros Limited (the "Company") for the period ended 31 December 2022 were authorised for issue by the board of directors on 17 April 2023 and the statement of financial position was signed on the Board's behalf by Neil Austin. Xeros Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Xeros Technology Group plc.

The results of Xeros Limited are included in the consolidated financial statements of Xeros Technology Group plc which are available from Unit 2 Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, S60 5BL.

The principal accounting policies adopted by the Company are set out in note 3.

2. Statutory Information

Xeros Limited is a private Company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

3. Accounting Policies

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 – Reduced Disclosure Framework ("FRS101"). Subsequent amendments to FRS101 which are effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs") but in compliance with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Xeros Technology Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share-based payments;
- certain disclosures required by IFRS 9 Financial Instruments, certain disclosures required by IFRS 15 and the disclosures required by IFRS 7 Financial Instrument Disclosures; and
- the effect of IFRS 16 transition/disclosures.

Changes in accounting policies
The Company has consistently applied the accounting policies to all periods presented in these financial statements.

Revenue recognition
Revenue on machines sales is recognised once the machine has been installed at the customer site in line with the contract agreed. Service revenue is recognised in line with the profile of the delivery of the service to the customer and consumable revenue is recognised when the product is delivered to the customer.

When assessing the revenue recognition against IFRS15, the Company assess the contract against the five steps of IFRS15. This process includes the assessment of the performance obligations within the contract and the allocation of contract revenue across these performance obligations once identified. This is particularly relevant where customer contracts are agreed with more than one performance obligation, such as those sales where a machine is sold in a bundle with an ongoing service contract, and revenue is allocated according to the value of consideration expected to be received for the transfer of the relevant goods or services to the customer. This consideration is calculated on an inputs basis using cost data and an appropriate margin.

Revenue is shown net of Value Added Tax or Sales Tax as appropriate.

The difference between the amount of income recognised and the amount invoiced on a particular contract is included in the statement of financial position as deferred income. Amounts included in deferred income due within one year are expected to be recognised within one year and are included within current liabilities.

Where licence revenue is based on sales by the licensee, the Company recognises revenue at the time of that sale. The Company has recognised some licencing revenue in the year, the amount of which is not material.

When the Group receives payments in the form of upfront payments or technology fees, the Group assesses those payments against the contacts in accordance with the provisions of IFRS15, and allocates the revenue against the performance obligations accordingly.

Tangible fixed assets
Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Leasehold improvements - over the term of the lease on a straight-line basis
Plant and machinery - 20% on cost on a straight-line basis
Fixtures and fittings - 20% on cost on a straight-line basis
Computer equipment - 33% on cost on a straight-line basis

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 the statement of comprehensive income.

Impairment of fixed assets
At each reporting date, the Company reviews the carrying amounts of its fixed 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 (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Investments
Investments are held at cost less any provisions for impairment.

Financial assets and liabilities
Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(i) Trade debtors
Trade debtors are recognised initially at fair value and subsequently measured at amortised cost less provision for expected credit losses. Appropriate provisions for estimated credit losses are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired.

(ii) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Investments - deposits
Investments - deposits comprise bank deposits maturing more than three months after the statement of financial position date.

(iv) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Trade creditors
Trade creditors are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

(vi) Classification of financial instruments
Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials - Purchase cost on a first-in, first-out basis
Finished goods - Purchase cost on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business.

Taxation
The tax expense/(credit) represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current tax is based upon taxable profit/(loss) for the year. Taxable profit/(loss) differs from net profit/(loss) as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Credit is taken in the accounting period for research and development tax credits, which have been claimed from HM Revenue and Customs, in respect of qualifying research and development costs incurred. Research and development tax credits have been accounted for on an accruals basis depending on the level of certainty regarding acceptance of the claims by HMRC.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the profit nor the accounting period.

The carrying amount of deferred tax assets is reviewed at each reporting 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.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are only capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- it is probable that the future economic benefits that are attributable to the asset will flow to the Company;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the asset; and
- the cost of the asset can be measured reliably.

Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit and are reviewed for an indication of impairment at each reporting date. Other development costs are charged against profit or loss as incurred since the criteria for their recognition as an asset are not met.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on technical development, testing and certification, materials consumed and any relevant third-party cost. The costs of internally generated developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

No development costs to date have been capitalised as intangible assets as at the time of the spend it was deemed that the probability of future economic benefit was uncertain.

Foreign currencies

The financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value was determined.

Leases

As a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Company has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, whichever is shorter. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available of the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect and reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities within trade and other payables.

As a lessor
The Company's accounting policy under IFRS 16 has not changed from the comparative period.

As the Company transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease. Assets held for rentals to customers under operating leases are recorded as fixed assets and are depreciated on a straight-line basis to their estimated residual values over their estimated useful lives. Operating lease income is recognised within revenue on a straight-line basis over the term of the rental period. Depreciation on machines leased to customers which are held in fixed assets is charged to administrative expenses as it is not directly related to sales.

Employee benefit costs
The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the statement of comprehensive income in the period to which they relate.

Grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Income from grants is included within 'other operating income' in the statement of comprehensive income.

Furlough credits
Where the Group has claimed a credit in respect of employees furloughed in accordance with the relevant government support schemes, the credit is recognised in the statement of profit or loss and other comprehensive income in the period to which the credit relates and is netted off against staff costs.

Share based payments
Certain employees and consultants (including Directors and senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments of the parent Company, Xeros Technology Group plc ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by the parent Company, by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest in the parent company. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period as recharged to the Company by Xeros Technology Group plc, with a corresponding credit arising in the form of a capital contribution.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Critical accounting judgements and key sources of estimation uncertainty
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial information are discussed below:

Revenue recognition
The Company offers an integrated service and care package. This package includes the transfer of equipment and on ongoing commitment to service and support. Where appropriate, the Company accounts for the sales under these packages as finance leases. As part of determining the appropriate revenue recognition policy for such packages, the Company is required to allocate the total contract revenue between the carious contract elements in line with IFRS15. Due to the unique nature of the produce and the stage of development of the Group, such assessment is based on limited historical information and required a level of judgement. These judgements may be revised in future years.

Research and development costs
Careful judgement by the Directors is applied when deciding whether the recognition requirements for capitalising development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the Directors. To date, no development costs have been capitalised.

Going concern
The company's business position, together with the risk factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 2 to 6. The company is currently loss making due to the early stage of commercial operations. 2022 was a year where significant commercial revenue was not generated from customers with contracts due to a number of factors, including delays and the stages of those contracts.

The company retains the support of its immediate parent company, Xeros Technology Group plc and is reliant on this support to continue in operation. The Directors of Xeros Ltd believe that the

Group and therefore the Company, has sufficient cash resources to meet its obligations as they fall due, with some changes to discretionary expenditure, if necessary. However, given the current commercial position of the Group the Directors acknowledge that the Group's – and therefore the Company's - current cash position does not provide certainty beyond this point and may not, with the current rate of cash outflow and the uncertainty over the Company's revenue, provide the Company with the resources to reach a cash breakeven point.

The Directors consider that they have a number of options in place that may allow them to reach this breakeven point. These include existing and potential commercial agreements and further restriction on discretionary spending. Given the lack of certainty around these scenarios, the Directors consider the Group's current funding positions constitutes a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern, and in the absence of significant customer revenue, the Group's cash resources will run out.

Notwithstanding this uncertainty, the Directors believe that they have sufficient options in place in order to allow the Group to continue trading in the short and medium term. Therefore, after making enquiries and considering the uncertainties as described above, the Directors have a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going basis of accounting in preparing this financial information.

4. Revenue

Turnover recognised in the income statement is analysed as follows:

	2022	**2021**
	£	**£**
Sale of goods	**17,934**	157,877
Rendering of services	**52,972**	131,151
Licence revenue	**64,024**	123,626
Revenue	**134,930**	412,654

Turnover by geographical area:

	2022	**2021**
	£	**£**
Europe	**115,983**	271,187
North America	**6,588**	-
Rest of the World	**12,359**	141,467
Revenue	**134,930**	412,654

During the period ended 31 December 2022, the Company had three customers who generated more than 10% of revenue. These customers contributed 37%,17% and 10% respectively.

During the period ended 31 December 2021, the Company had four customers who generated more than 10% of revenue. These customers contributed 22%, 18%, 12% and 12% respectively.

5. Employees and Directors

	2022	**2021**
	£	**£**
Wages and salaries	**2,518,586**	2,578,272
Social security costs	**313,115**	243,286
Other pension costs	**132,425**	88,258
	2,964,126	2,909,816

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

	2021 No.	2021 No.
Directors	**3**	3
Operational staff	**39**	39
	42	42

	2022 £	2021 £
Directors remuneration	**201,720**	195,000
Directors pension contributions to money purchase schemes	**6,669**	6,400
	208,389	201,400

During the year 2 (2021: 2) Directors were paid through the Company's parent company, Xeros Technology Group plc. These Directors are included in the disclosure above. Those Directors work for the Group as a whole and therefore it is not practicable to split their cost between Group entities.

6. Interest receivable and similar income

	2022 £	2021 £
Deposit accounts interest	**12,781**	12,188
Finance income from lease receivables	**2,695**	5,099
	15,476	17,287

7. Interest payable and similar expenses

	2022 £	2021 £
Deposit accounts interest	**-**	10
Right of use asset interest cost	**29,682**	2,782
	29,682	2,792

8. Profit and loss before taxation

The profit or loss before taxation is stated after charging/(crediting):

	2022 £	2021 £
Cost of inventories recognised as an expense	**11,118**	26,554
Other operating leases	**45,755**	44,612
Depreciation – owned asset	**73,005**	145,222
Deprecation – right of use assets	**71,723**	54,473
Foreign exchange differences	**16,059**	6,728
Research and development costs	**259,119**	314,603

9. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	**30,000**	23,750
	30,000	23,750

10. Taxation

	2022 £	2021 £
Current tax	**(515,269)**	(491,792)
	(515,269)	(491,792)

Factors affecting the tax charge:

	2022 £	2021 £
Current tax	**(515,269)**	(491,792)
	(515,269)	(491,792)
Loss multiplied by the standard rate of corporation tax in the UK of 19%	**(1,026,120)**	(1,088,071)
Effects of:		
Expenses not deductible for tax purposes	**(32,677)**	64,573
Impairment provision not deductible for tax purposes	**-**	-
Current year loss for which no deferred tax asset was recognised (see note 21)	**1,058,797**	1,023,498
Foreign taxes paid	**1,596**	12,800
R&D tax credits received in respect of prior year	**(516,865)**	(504,592)
Tax income	**(515,269)**	(491,792)

Credit is taken in the accounting period for research and development tax credits, which have been claimed from HM Revenue and Customs, in respect of qualifying research and development costs incurred. Research and development tax credits are recognised on an accruals basis with reference to the level of certainty regarding acceptance of the claims by HMRC. The Company accounts for R&D tax credits as an investment tax credit accounted for on a flow through basis – R&D tax credits, while investment tax credits, are not considered to be substantially different from other tax credits and they are recognised when the conditions required to receive the credit are met and they are claimed on the Company's tax return.

11. Property, plant and equipment

	Right of use assets	Leasehold improvements	Plant and machinery	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£	£
Cost						
As at 1 January 2022	177,037	547,997	291,714	48,569	133,377	1,198,694
Additions	774,665	29,456	1,050	-	32,045	837,216
Disposals	(177,037)	-	-	-	-	(177,037)
As at 31 December 2022	774,665	577,453	292,764	48,569	165,422	1,858,873
Depreciation						
As at 1 January 2022	163,418	525,842	236,274	46,196	99,133	1,070,863
Charge for the year	71,723	23,610	30,939	1,797	16,658	144,727
Disposals	(177,037)	-	-	-	-	(177,037)
As at 31 December 2022	58,104	549,452	267,213	47,993	115,791	1,038,553
Net book value						
As at 31 December 2022	**716,561**	**28,001**	**25,551**	**576**	**49,631**	**820,320**
As at 31 December 2021	13,619	22,155	55,440	2,373	34,244	127,831

12. Investments

	Shares in Group undertakings £
Cost	
As at 1 January 2022	3,806,320
As at 31 December 2022	3,806,320
Accumulated impairment	
As at 1 January 2022	3,806,320
As at 31 December 2022	3,806,320
Net book value	
As at 31 December 2022	**-**
As at 31 December 2021	-

The directors have considered the recoverability of the carrying value of the investments in subsidiary undertakings and consider that the provisions made in prior years remain appropriate.

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Xeros Inc

Class of shares	% holding
Common Stock $0.001 par value	100

Xeros Inc. is incorporated in Delaware, USA. Xeros Inc's registered office is 195 Dupont Drive, Providence, Rhode Island, 02907, USA. It's nature of business is the provision polymer technology-related equipment.

13. Inventories

	2022 £	2021 £
Raw materials	**164,151**	107,788
	164,151	107,788

In the year ended 31 December 2022, raw materials, consumables and changes in work in progress and finished goods recognised as cost of sales amounted to £11,118 (2021: £26,554).

In the year ended 31 December 2022, provisions were made against the value of finished goods of £nil (2021: £nil).

14. Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	**23,347**	108,455
Amounts receivables in respect of finance leases	**25,061**	34,991
Other debtors	**37,449**	(11,005)
Other tax and social security	**77,630**	44,043
Prepayments	**143,315**	133,439
	306,802	309,923
Amounts falling due after more than one year:		
Other debtors	**5,539**	30,259
	5,539	30,259
Total debtors	**312,341**	340,182

15. Cash on deposit

At 31st December 2022, the Company held £3,733 (2021: £5,323,146) in 95 day deposit accounts. This balance is denominated in Pound Sterling (£). The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

16. Cash at bank and in hand

All of the Company's cash and cash equivalents at 31 December 2022 and 31 December 2021 are at floating interest rates. Balances are denominated in UK Sterling (£), Euro (€) and US Dollars ($). The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

17. Creditors

	2022 £	2021 £
Amounts falling due within one year:		
Trade creditors	**377,561**	345,073
Amounts owed to group undertakings	**115,874,062**	116,913,413
Social security and other taxes	**1,986**	2,086
Other creditors	**15,932**	21,747
Accruals and deferred income	**437,513**	507,997
Right of use liabilities	**56,564**	19,109
	116,763,618	117,809,425
Amounts falling due after more than one year:		
Right of use liabilities	**624,471**	-
	-	-
Total creditors	**117,388,089**	117,809,425

Trade creditors are non-interest bearing and are normally settled on 30-day terms. Other creditors are non-interest bearing.

The Company has a loan from its parent company, Xeros Technology Group plc amounting to £115,874,062 (2021: £116,913,413). No interest was payable on the balance. This loan is repayable on demand.

18. Leases

The Company has leases for office buildings and associated warehousing and operational space. 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. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

Leases of buildings are for 9 years. Lease payments are generally fixed but they are subject to periodic rent reviews.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right of use asset recognised on the balance sheet:

Right of use asset	Number of assets leased	Remaining lease term	Number of leases with termination options
Land and buildings	1	112 months	1

Right-of-use assets:
Additional information on the right-of-use assets by class is as follows:

	£
Balance as at 31 December 2021	13,619
Additions in the year	774,665
Depreciation charged in the year	(71,723)
Balance as at 31 December 2022	716,561

Lease liabilities
Lease liabilities are presented in the statement of financial position as follows:

	31 December 2022 £	31 December 2021 £
Current	**56,564**	19,109
Non-current	**624,471**	-
	681,035	19,109

There is one lease with a termination option. The Company has no commitments to leases which have not yet commenced.

The lease liabilities are secured by the related underlying assets. The maturity analysis of the lease liabilities at 31 December 2022 is as follows:

	Within 1 year	1 – 2 years	2 – 3 years	3-4 years	4+ years	Total
Lease payments	(92,000)	(92,000)	(92,000)	(92,000)	(483,000)	(851,000)
Finance charges	35,436	31,057	26,784	22,613	54,075	169,965
Net present value	**(56,564)**	**(60,943)**	**(65,216)**	**(69,387)**	**(428,925)**	**(681,035)**

Lease payments not recognised as a liability
The Company has elected not to recognised a liability for short term leases (12 months or less) or for leases of law value assets. Payments made under such leases are expenses on a straight line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	£
Short term leases	**42,093**
	42,093

As at 31 December 2022 the Company was committed to short term leases and the total commitment at that date was £40,750.

19. Financial Instruments

Non-derivative financial assets

At the reporting date, the Company held the following non-derivative financial assets:

	2022 £	2021 £
Due within 3 months		
Cash and cash equivalents	**759,715**	2,155,268
Trade receivables	**23,347**	108,455
Other receivables	**140,140**	68,029
	923,202	2,331,752
Due between 3 and 12 months		
Cash on deposit	**3,733**	5,323,146
Due after 12 months		
Other receivables	**5,539**	30,259

Non-derivative financial liabilities

At the reporting date, the Company held the following financial liabilities, all of which were classified as other non-derivative financial liabilities:

	2022 £	2021 £
Due within 3 months		
Trade payables	**377,561**	345,073
Right of use liabilities	**56,564**	19,109
Other payables	**115,891,980**	116,937,246
	116,326,105	117,301,428
Due after 12 months		
Right of use liabilities	**624,471**	-

20. Provisions for liabilities

	2022 £	2021 £
Deferred tax	**38,415**	38,415
	38,415	38,415

A deferred tax asset has not been recognised in respect of trading losses which are available to be carried forward to offset against future tax liabilities due to uncertainty of timing of their crystallisation. At 31 December 2022, the Company had trading losses of approximately £56,084,000 (2021: £50,168,485) to carry forward which represents a deferred tax asset of £10,656,034 (2021: £12,542,000).

21. Called up share capital

Allotted and issued:	Class	Nominal value	2022 £	2021 £
37,760 (2020: 37,760)	Ordinary	0.01p	**4**	4
31,490 (2020: 31,490)	A Ordinary	0.01p	**3**	3
64,144 (2020: 64,144)	B Ordinary	0.01p	**6**	6
102,881 (2020: 102,881)	C Ordinary	0.01p	**10**	10
7,825 (2020: 7,825)	C1 Ordinary	0.01p	**1**	1
			24	24

At 31 December 2022, the Company had 244,100 shares in issue in total (31 December 2021: 244,100). All shares are held by the parent Company.

The C Ordinary shares each carry one vote and the right to participate in the distribution of dividends. C Ordinary shares have priority over all other shares on a distribution of assets arising from a liquidation, a return of capital, a sale of share capital or all, or substantially all, of the assets of the Company, a merger, or other distribution to shareholders, or an Initial Public Offering. C Ordinary shares have the right to convert to Ordinary shares on request in proportion to their current shareholding.

The C1 Ordinary shares each carry one vote and the right to participate in the distribution of dividends. C1 Ordinary shares have priority over all other shares on a distribution of assets arising from a return of capital, a sale of share capital or all, or substantially all, of the assets of the Company, a merger, or other distribution to shareholders, or an Initial Public Offering. C1 Ordinary shares have the right to convert to Ordinary shares on request in proportion to their current shareholding.

The B Ordinary shares each carry one vote and the right to participate in the distribution of dividends. B Ordinary shares have priority over other shares (other than C Ordinary shares) on a distribution of assets arising from a liquidation. B Ordinary shares have a priority over other shares (other than C Ordinary and C1 Ordinary shares) on a distribution of assets arising from a return of capital, sale of share capital or all, or substantially all, of the assets of the Company, a merger, or other distribution to shareholders, or an Initial Public Offering. B Ordinary shares have the right to convert to Ordinary shares on request in proportion to their current shareholding.

The A Ordinary shares each carry one vote and the right to participate in the distribution of dividends. A Ordinary shares have priority over other shares (other than B Ordinary and C Ordinary shares) on a distribution of assets arising from a liquidation. A Ordinary shares have priority over other shares (other than B Ordinary, C Ordinary and C1 Ordinary shares) on a distribution of assets arising from a return of capital, sale of share capital or all, or substantially all, of the assets of the Company, a merger, or other distribution to shareholders, or an Initial Public Offering. A Ordinary shares have the right to convert to Ordinary shares on request in proportion to their current shareholding.

The Ordinary shares each carry one vote and the right to participate in the distribution of dividends. Ordinary shares carry certain rights to participate in a distribution of capital arising from a liquidation, sale of share capital or all, or substantially all, of the assets of the Company, a merger, another distribution to shareholders, or an Initial Public Offering (following distribution to holders of all other classes of shares).

22. Reserves

	Retained earnings £	Capital contribution £	Share premium £	Total £
As at 1 January 2022	(128,403,766)	3,106,977	15,503,140	(109,793,649)
Deficit for the year	(5,400,633)	-	-	(5,400,633)
Share based payment charge	-	(171,986)	-	(171,986)
As at 31 December 2022	(133,804,399)	2,934,991	15,503,140	(155,366,268)

23. Ultimate parent company

The ultimate parent company is Xeros Technology Group plc which is registered in England and Wales. The Company is included in the group accounts for Xeros Technology Group plc which are publicly available and can be obtained from the Company's registered office, Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, S60 5BL.

24. Related party transactions

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with other group companies (being the parent undertaking, Xeros Technology Group plc and the subsidiary undertaking, Xeros Inc.). There were no other related party transactions in the year aside from those with key management personnel.

25. Share-based payment transactions

The Company has taken advantage of the exemptions under paragraph 8(a)(i) to not disclose information relating to share options granted to directors and employees of the Company on the basis that these relate to equity instruments of the parent company, Xeros Technology Group plc and the relevant disclosures have been made in the consolidated financial statements of that company.