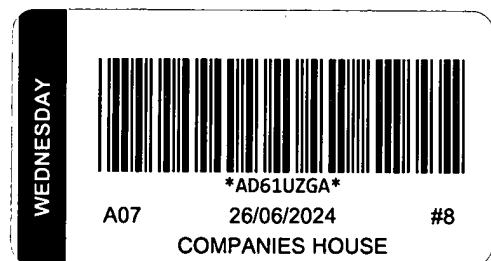


Company number: 08684474

XEROS TECHNOLOGY GROUP PLC
ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2023



XEROS TECHNOLOGY GROUP PLC
DIRECTORS AND OFFICERS

DIRECTORS

Klaas de Boer (Chairman)
Neil Austin (Chief Executive Officer)
Alexander Tristram (Finance Director)
David Armfield (Non-Executive Director)
Rachel Nooney (Non-Executive Director)

COMPANY SECRETARY

Alexander Tristram

COMPANY WEBSITE

<https://www.xerostech.com/>

COMPANY NUMBER

08684474 (England and Wales)

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The Lexicon
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LEGAL ADVISER

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NOMINATED ADVISER AND BROKER

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XEROS TECHNOLOGY GROUP PLC
CONTENTS

Chairman's Statement	1
Chief Executive Officer's Review	2
Financial Review	7
Strategic Report	9
Directors' Report	13
Directors' Remuneration Report	16
Corporate Governance Report	19
Statement of Directors' Responsibilities	24
Independent Auditor's Report to the Members of Xeros Technology Group plc	25
Consolidated Statement of Profit or Loss and Other Comprehensive Income	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Financial Position	32
Consolidated Statement of Cash Flows	33
Notes to the Consolidated Financial Statements	34
Company Statement of Changes in Equity	61
Company Statement of Financial Position	62
Notes to the Company Information	63

XEROS TECHNOLOGY GROUP PLC

CHAIRMAN'S STATEMENT

Dear Shareholder,

Given my detailed letter to shareholders in the Circular dated 8 April 2024, I will keep this year's statement brief, concentrating on what is new, important and different.

Under the impressive leadership of Neil Austin, the Group has transitioned from an engineering led organisation to a sales-led organisation. The Group welcomed five, highly capable employees into new, commercial roles during the year, generating a pipeline of 10 new opportunities. The Group is now in direct dialogue with six of the 10 leading global domestic washing machine manufacturers for its Care and Filtration technologies. While these may not all come to fruition, the quantum and quality of interest being generated by our new commercial team is extremely encouraging.

We have completed the technology transfer process with IFB (Care technology) and Yilmak Makina (Finishing technology). The completion of these processes is a key milestone with both partners as it now enables the commercial roll-out of machines equipped with Xeros IP. Further information on the tangible progress being made on these and our other licensing agreements is given in the CEO's report.

The team has achieved all of this, while maintaining tight control of costs and a keen focus on achieving breakeven.

The Group's balance sheet has been significantly strengthened by a post year-end warrant exercise and fundraise, providing the Group with additional working capital of £6.3m before fees to support the delivery of our FY24 and FY25 goals.

The Board underwent significant change in 2022 upon which the Nominations Committee has reviewed the structure and skill set of the current Board. It has concluded that, with the appointment of Alex Tristram as Finance Director in April 2024, it meets the current needs of the Group. The Committee will continue to monitor the suitability of the Board's composition, as the Company completes its transition to a full-fledged commercial enterprise.

As always, I want to thank you, shareholders, for your continued support of the business (through both the warrant exercise and participation in the recent financing), but also want to express my gratitude to our management team, all staff, commercial partners and my board colleagues for all your continued dedication to our cause: the adoption at scale of Xeros' extremely compelling and necessary technologies.

While we remain dependent on commercial delivery by licensees, the route to meaningful revenue is becoming clearer. With IFB and Yilmak Makina in final preparation for commercial scale roll-out later this year, we believe we are closer than ever to that inflection point.

Klaas de Boer
Chairman

24 May 2024

XEROS TECHNOLOGY GROUP PLC

CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to report that the Group made significant operational and commercial progress in the year to 31 December 2023, with further significant milestones being achieved post year end.

Our agreements with licensees moved closer to commercial launch, as we embarked on the crucial technology transfer process with both IFB and Yilmak Makina. We completed the technology transfer for IFB domestic machines (Goa) in December 2023, and Yilmak Makina's commercial denim processing machines (Turkey) in Q1 of the new financial year. All these machines have now moved to the *manufacture and marketing stage, ahead of scale launch*. This gives the Board confidence that the Group remains on track to achieve month-on-month operational breakeven.

In addition, the work undertaken to increase the Group's commercial focus has resulted in a stronger than expected pipeline of potential new agreements. We are now in discussion with 10 major organisations with interest across all the Group's technologies.

This progress, supported by the funds raised post period-end of £6.3m before fees, puts the Group in a strong position to execute its commercialisation strategy on existing opportunities, whilst also generating new ones.

The macro environment for our technologies continues to strengthen, in synchrony with our commercialisation goals. Global businesses are coming under increasing pressure to improve their environmental practices. Governments are introducing new regulations and legislation to protect against further ecological damage and meet their global obligations. Xeros continues to be called upon to provide expert testimony on microfibre capture to feed into legislative initiatives in the U.S., European Union and the UK.

Operational review and progress

When I joined Xeros in August 2022, I talked about targeting change, which I have done in three parts. During my first six months, I reviewed the business proposition, the pipeline of opportunity for commercialisation, and the people. That initial period of evaluation told me that, on all three of our technology platforms, our proposition was incredibly compelling. After some 20 years of commercial experience, I recognised an extremely rare opportunity to offer both environmental solutions alongside improved efficiency and cost savings for two huge global industries, apparel manufacture and laundry. These industries had not innovated in decades and were slow to adopt better environmental practices, although under significant pressure to do so.

When canvassing the opinion of key industry players on Xeros' Care, Finish and Filtration technologies, the feedback was unanimous and clear. The combination of our authentic desire to help the planet and ability to reduce, not increase, their input costs to achieve a positive outcome is a compelling proposition.

The second part of the change was to accelerate the commercialisation process. Before I joined Xeros, the Group had courted some significant players in the industry but had not managed to achieve any meaningful commercial traction. Investors often asked me why this was the case. I believe it resulted from a well-meaning attempt to 'launch' the technology before it was really market ready, and then, following the strategic change to the current licensing model, progress was hindered by the turbulent socio-economic issues triggered by the Pandemic.

Since putting in place a new operational framework and improved processes, our extremely capable team of engineers and scientists has flourished. A new contract was signed in April 2023 with Yilmak Makina and, after what has been a lengthy period of education for our industry licensees, some of the Group's contracts with IFB are now nearing market launch having completed the technical transfer process.

People

Perhaps the most important element I have reshaped has been people.

I have mentioned on several occasions that the people in Xeros, our scientists and engineers, are amongst the brightest, most passionate and intelligent that I have had the fortune to lead. I am reminded of this on a daily basis. What the team lacked, however, was commercial acumen, and a 'pace and rhythm' of activity necessary for commercialisation. Any successful business is characterised by a high performing, driven sales and marketing effort. I am delighted that during 2023, we reinforced our team with industry expertise and a sales programme full of ambition and confidence. We have added five new roles, incorporating further expertise in category marketing, licensing sales and applicable business knowledge from the white goods and denim processing industries. The success of this team is evidenced by the full sales pipeline described below.

As well as bringing a new operational 'commerciality' led by sales and marketing, I was keen to surround the business with experience, know-how and sage advice. This has been achieved through the creation of an Advisory Board, consisting of high-quality individuals with a lifetime of experience in some of the world's largest organisations. People who are passionate about Xeros' technology. Being able to call upon the highest level of engineering, sales, science, retail, and marketing capability has been a key enabler for the Group in 2023 and we expect further benefits on future projects.

Business update

Filtration (XF1 – domestic, XF2 – commercial, XF3 - external)

We have made significant progress in Filtration, adding two licensing agreements with major European component manufacturers for XF1 in H1 2023. We now have three agreements in place, which equate to an 'approved supplier' coverage for 99% of the 105 million washing machines produced annually.

In September 2023 at IFA Berlin, Europe's largest consumer electronics show, we launched a new external filtration product for the domestic market, the XF3. This is an 'outside-of-machine' microplastic filtration device, which can be retrofitted to the existing domestic install base with full flexibility of placement. The XF3 has all the features of XF1, a market leading microfibre capture rate of 99% with no requirement for replacement cartridges and is lifetime of machine tested. Interest at IFA was overwhelming, and we are currently in negotiations to manufacture and distribute the XF3 under licence. The aim is for a full market launch later this year.

Finish (XFN1 – Denim and XFN2 – Washing)

Having signed an agreement in April 2023 with Yilmak Makina / KRM, one of the world's largest and best respected garment finishing manufacturers and distributors respectively, they previewed their new Xeros-enabled denim processing machine at ITMA in Milan, the world's most influential textile and garment technology exhibition. For Yilmak Makina, it was the first manifestation of the licence, and the feedback was excellent with several soft orders taken on the stand. Post the year end, in February 2024, Yilmak Makina concluded the technical transfer of fitting an XDrum and XOrb capability to their core machine. This important milestone was achieved some three months ahead of schedule and precedes a full marketing launch of the machine at the ITM trade show, one of the most important meeting points in the field of textile machinery in Istanbul in June 2024.

Our existing licensing agreement with Ramsons, a leading full range supplier of equipment solutions to the apparel industry in South and East Asia, which was signed in March 2020 for denim finishing in India, continues to make progress with new installations expected at one of Sri Lanka's largest garment manufacturers in 2024.

We have also seen some important progression on the 'demand' side of the industry, with retail brands keen to promote more environmentally friendly/conscious fashion. As shown by a leading garment brand and a European retail chain being in the process of specifying Xeros' technology in the recipe of their core denim ranges.

XEROS TECHNOLOGY GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW - CONTINUED

Care (XC1 – domestic and XC2 – commercial)

As outlined above, an important milestone in the agreement with IFB was achieved in the Period. IFB and Xeros engineers concluded the technical transfer process on a mass market 9kg domestic washing machine in December. I am pleased to report that subsequent field trials have been successful, and the project has now moved from R&D into manufacturing and marketing. IFB is targeting a launch later this calendar year.

Our long-standing partner in France, Georges, a leading commercial laundry business that specialises in the cleaning and maintenance of workwear and PPE, continues to thrive using Xeros-enabled IFB machines with plans to open new sites over the next 12-18 months, in line with their expansion into the laundering of fire fighter uniforms. In addition, Georges has received compelling feedback from its key customer base, Air France and SNCF, with statistics showing a uniform life extension of 20% since using the Xeros CARE technology.

In addition, early in the Period, we appointed Ecoprod as a UK distributor for Xeros enabled commercial care machines. The UK based company offers water management solutions to several thousand facilities in five major industries – healthcare, hotels, the care market, laundry companies and sports clubs.

Sales pipeline

The Company's goal is mass implementation of its three technologies and, to this aim, I come to my third element of change, which is now well underway. Fueled by the confidence of our progress with licensees, we led a programme of outreach to global players with a goal for 2023 to gain interest from a major European washing machine brand on each of our three technology platforms. As I write today, we are trending significantly beyond that initial target, and I am pleased to report that we are now in dialogue with six out of the 10 leading global domestic washing machine manufacturing brands and have 10 new commercial opportunities including those referenced above:

For Filtration (domestic)	
•	four global brands
For Finish	
•	a leading global fashion brand
•	a major European retailer
For Care (commercial)	
•	two global brands
For Care (domestic)	
•	two European brands
•	a North American brand
•	an Asian brand

While we would not expect all of these to come to fruition, the response we have had is extremely encouraging.

Strategy

Our strategy to become an IP-rich, capital-light licensor of proprietary technology solutions to multiple scale industries, all of which deploy the same Xeros core technologies remains.

Our technology provides cost-effective solutions for garment manufacture and clothing care within the \$2.5 trillion fashion industry and the \$55 billion domestic washing machine market. Our annual addressable markets in Filtration, Finish and Care are estimated to be £350 million, £132 million and £3 billion respectively.

To achieve market penetration, we take a three-pronged approach:

●	Commercial partnerships - We have commercial partnerships in place with IFB for domestic and commercial laundry machines, with Ramsons and Yilmak/KRM for garment finishing equipment, and with three component manufacturers on XF1.
●	Direct engagement – We engage and work to influence major fashion and consumer brands to showcase the benefits of our technology and to build a market for it. We have significant engagement with leading global OEMs across all our technology platforms.
●	Drive influence – We are a global leader in sustainable textile technologies and we work with legislators, industry groups and NGOs to show the scale of the environmental challenges and to demonstrate the effectiveness of our solutions.

ESG

Xeros' technologies reduce the environmental impact of clothing on the planet. They save millions of litres of water and have the power to prevent billions of microfibres ending up in our oceans.

Textiles technologies are just the beginning of our long-term mission to reduce waste and use resources more responsibly to support a better future for both people, and the world we call our home.

We are pleased to have been recognised as a B Corp business during the period. We are part of a global movement of companies dedicated to using business as a force for good. We are proud to be included in a network of over 6,000 mission-led businesses, committed to meeting the rising standards for social and environmental performance.

Post Period End and Outlook

As detailed in the circular for the fundraise, dated 8 April, the Board conservatively estimates Xeros' core technologies provide an addressable global market opportunity of c£40m-£50m pa in revenue in the medium term.

The £6.3m before fees funds raised from the placing and retail offer in April 2024, and the warrant redemptions received in January 2024 will be used to strengthen the balance sheet and provide working capital to support our existing partners through to launch (IFB, Yilmak Makina and Ecoprod); the progression of the significant global opportunities referenced above; provide contingency against timing of royalty payments, over which we have little control; and for developing complementary additions to our core propositions not least on filtration.

Cost controls will remain in place, and priority will be given to the commercialisation of existing opportunities.

XEROS TECHNOLOGY GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW - CONTINUED

As a technology licensing business, we have the benefits of low overheads, a high margin business model and an ability to scale up significantly with minimal cost increase. The other side of the coin however is that we are unable to directly influence timings and 'Go to Market' decisions. Nonetheless, the route to nearer-term meaningful revenue is clear, with a number of our commercial partners, as detailed above, now close to commercial scale roll-out of machinery containing some element of Xeros' IP.

Neil Austin
Chief Executive Officer

24 May 2024

XEROS TECHNOLOGY GROUP PLC

FINANCIAL REVIEW

Financial review

Group revenue was generated as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Service revenue	82	82
Licensing revenue	138	64
Sale of goods	77	18
Total revenue	<u>297</u>	<u>164</u>

The financial results in 2023 show development of the Group's licencing strategy alongside management of costs in order to put the Group into a strong position, and while revenue growth in FY23 was not as strong as anticipated due to the timing of XOrb orders from partners, it does support the anticipated revenue growth as contracts enter into their commercial phase.

The Group's future revenue is based upon the anticipated commercial progress made by its commercial partners as they market and sell products incorporating Xeros technology into their respective markets. The Group has worked to set a cost base which can support these contracts as well as win new ones, with the expectation that costs will not need to rise significantly in future years as the Group moves into profitability.

Further information on these financial results is provided below.

Group revenue increased by 81.1% to £0.30m in the year ended 31 December 2023 (2022: £0.16m). The Group's revenue is derived from three principal sources:

- Service revenue: reflecting the servicing of existing estate, based principally in Europe.
- Licensing revenue: reflecting royalty payments from licence partners, milestone payments during the technology transfer process and advance fees for access to Group intellectual property.
- Sale of goods: reflecting sales of XOrbs to licence partners and sales of machines on behalf of licence partners.

The Group continues to receive service revenue related to the retained estate of commercial laundry machines in the UK and Europe. As the licensing model grows, this service revenue is expected to become a smaller part of the overall revenue mix.

Licensing revenue in the period was £0.14m (2022: £0.06m), an increase of 115.6%; revenue from sale of goods was £0.08m in the period (2022: £0.02m), an increase of 377.8%. Service revenue in the period was flat at £0.08m (2022: £0.08m).

The increase in revenue and the high margins the Group records on licence income has driven an increase in gross profit in the period to £0.25m (2022: £0.08m), an increase of 81.1%, resulting in a gross margin of 82.5% (2022: 51.2%).

The Group decreased its adjusted EBITDA loss by 37.5% to £4.6m (2022: loss £7.4m).

Gross profit/loss and adjusted EBITDA are considered the key financial performance measures of the Group as they reflect the trading activities of the Group. Adjusted EBITDA is defined as the loss on ordinary activities before interest, tax, share-based payments and warrant expense, depreciation and amortisation.

XEROS TECHNOLOGY GROUP PLC
FINANCIAL REVIEW - CONTINUED

Administrative expenses, decreased by 33.7% to £5.0m (2022: £7.5m), following a reduction in the Group's headcount and a continued focus on cost across the business. The Group's average headcount fell by 26.8% in the year to 30 (2022: 41).

The Group reported an operating loss of £4.7m (2022: loss £7.4m), a decrease of 33.2%. The loss per share was 2.82p (2022: loss 14.29p).

Net cash outflow from operations decreased by 33.2% to £4.7m (2022: £7.0m) as a result of the Group's overall cost reduction, as shown in a reduction in cash used in operations to £5.2m (2022: £7.5m), and the receipt of £0.5m R&D tax credits from HMRC relating to 2022. Cash utilisation was in line with the Board's expectations. Cash utilisation is not expected to increase during 2024.

The Group had existing cash resources, including cash on deposit, as at 31 December 2023 of £1.6m (2022: £6.5m) and remains debt free. The Group received additional funding post period end in the form of warrant exercises and an equity placing, which between them raised £6.3m before fees. The Going Concern statement on page 23 draws attention to the Directors' views on the Group's ongoing prospects and the key assumptions behind the preparation of these accounts on a going concern basis.

Alex Tristram
Finance Director

24 May 2024

XEROS TECHNOLOGY GROUP PLC

STRATEGIC REPORT

Principal activity

Xeros Technology Group plc (LN: XSG) is the creator of technologies that reduce the impact of clothing on the planet.

Our Care and Finish technologies use patented, reusable XOrbs housed in our engineered XDrum for minimum disruption. Together, these components significantly reduce the amount of water and chemistry used in the dyeing, finishing or laundering of garments and fabrics. They increase the efficiency of these processes which require molecules to be either affixed or removed from substrates. In the case of laundry, they are proven to significantly increase the life of clothes and fabrics. The results are major improvements in economic, operational, product and environmental outcomes.

The Group has signed multiple licence agreements for its Care and Finish technologies with leading OEMs in major commercial and domestic markets.

XFilter is the Group's proprietary washing machine filtration technology which prevents harmful microfibres including microplastics, generated during washing cycles, from being released into the world's rivers and oceans. Microfibres released into the environment from clothing and fabrics during their laundering are a major source of pollution in the environment and contamination in the food chain.

The Company is incorporated and domiciled in the UK.

Business model

The Group seeks to generate a return through the licence of its proprietary technology to third parties in order to generate royalties and through the sale of XOrbs to support the production and distribution of products which incorporate Xeros technology. Further information on the Group's activities and how it seeks to create added value is included in the Chairman's statement, Chief Executive Officer's review and financial review on pages 1 to 8.

Business review and results

A review of the Group's performance and future prospects is included in the Chairman's statement, Chief Executive Officer's review and financial review on pages 1 to 8. The loss for the year attributable to equity holders was £4.3m (2022: £6.9m).

Key performance indicators

As the Group is in the process of commercialising its platform technologies, the Directors consider the key quantitative performance indicators to be: the level of cash and deposits held in the business of £1.6m (2022: £6.5m), gross profit/loss and adjusted EBITDA. Adjusted EBITDA is defined as the loss on ordinary activities before interest, tax, share-based payment and warrant expense, depreciation and amortisation. Adjusted EBITDA is discussed in more detail in the financial review on pages 7 to 8. The Board performs regular reviews of actual results against budget, and monitors cash balances on a regular basis to ensure that the business has sufficient resources to enact its current strategy. Certain qualitative measures, such as the performance of commercial initiatives, are also monitored on a regular basis. The Board will continue to review the KPIs used to assess the business as it grows.

Key risks

The Board carefully considers the risks facing the Group and endeavours to minimise the impact of those risks. The key risks are as follows:

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

The Group'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 Group 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 Group to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

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

Intellectual property

The Group'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 Group'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 Group 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 Group.

The Group is also subject to risks that others may develop similar products to the Group, duplicate any of the Group's products or design around any patent applications held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group). 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 Group's unpatented proprietary technology or disclose such technology or that the Group can ultimately protect meaningful rights to such unpatented technology.

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

In mitigation of the above risks, the Group holds significant patent litigation insurance, on which it could call should any litigation be required, either in defence of a claim against the Group or to prosecute those it believes infringe on IP protected rights. The Group 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 Group's products

The success of the Group 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 Group's core technology will succeed as an alternative to other applications.

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

The Group 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 Group has multiple applications with commercial potential and as such spreads risk in this way.

Supply and logistics of key materials

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

The Group 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 Group suffers a breach of IT security, including a ransomware attack or significant data breach.

In mitigation, the Group 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 Group's technology.

In mitigation, the Group 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 Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, or a delay in the full commercialisation of the Group's technologies, restricting the Group's ability to generate a profit.

As a UK domiciled business, the Group 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 Group'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 Group's ability to work closely with international licence partners.

The Group 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 Group, 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 Group's operations and could have a material adverse effect on the Group's business, financial condition or results.

Future developments

Future developments are described in the Chairman's statement, Chief Executive Officer's review and financial review on pages 1 to 8.

Statement in respect of Section 172 of the Companies Act 2006

Under section 172 of the Companies Act 2006, the Directors of Xeros Technology Group plc have a duty to promote the success of the Group for the benefit of the members as a whole and, in doing so, have regard to:

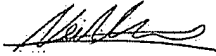
- (i) the likely consequences of any decision in the long term;
- (ii) the interests of the Company's employees;
- (iii) the need to foster the Company's business relationships with suppliers, customers and others;
- (iv) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (v) the need to act fairly between members of the Company.

XEROS TECHNOLOGY GROUP PLC
STRATEGIC REPORT- CONTINUED

The Directors of Xeros Technology Group plc consider the following areas of key importance in fulfilment of this duty:

- Long-term strategic planning and budgeting to allow the Group to project a path to creating value for shareholders;
- Continued emphasis on health and safety, with regular and comprehensive dialogue with employees;
- Open and fair dealings with partners, customers, and suppliers, leading to long-term mutually beneficial relationships;
- A Group built on improving sustainability, with innovative technologies serving a range of industries; and
- Consideration of the Group's operations on the community and the environment.

The strategic report on pages 9 to 12 was approved by the Board and is signed on its behalf.



Neil Austin
Chief Executive Officer
24 May 2024

XEROS TECHNOLOGY GROUP PLC

DIRECTORS' REPORT

The Directors hereby present their annual report and audited consolidated and parent company financial statements for the year ended 31 December 2023.

Share capital and funding

Full details of the Group and Company's share capital movements during the year are given in note 18 of the financial statements.

Dividends

The Directors do not recommend the payment of a dividend (2022: nil).

Directors and their interests

The following Directors held office during the period and up to the date of signing this report except where noted otherwise:

Klaas de Boer
David Armfield
Neil Austin
Rachel Nooney
Alexander Tristram (appointed 11 March 2024)

Directors' interests in the shares of the Company, including family interests, are included in the Directors' remuneration report on pages 16 to 18.

Directors' indemnity insurance

The Group has maintained insurance throughout the year for its Directors and officers against the consequences of actions brought against them in relation to their duties for the Group.

Profiles of the current Directors

Klaas de Boer, Chairman

Klaas joined Xeros as Chairman in January 2020. In June 2021 he left Entrepreneurs Fund Management LLP, where he had served as Managing Partner since 2008. Klaas holds numerous board positions with international companies including SmartKem, Inc., General Fusion, Inc., where he is Chair, and veriNOS Pharmaceuticals GmbH. Klaas began his career with McKinsey & Company before transitioning to venture capital with Baan Investment more than 20 years ago. He holds an MSc in Applied Physics from Delft University of Technology and an MBA from INSEAD. Klaas is Chair of the Nominations Committee.

Neil Austin, Chief Executive Officer

Neil joined Xeros in August 2022 from Strix Ltd, an AIM listed global leader in domestic appliance heating control, where he led the consumer goods and group marketing divisions. Prior to that Neil was CCO of Neurovalens Limited, an innovative med tech company working in cerebral stimulation. He has also held leadership positions in sales, marketing & strategy functions with the Glen Dimplex Group and Whirlpool EMEA. As well as general management, Neil has worked on M&A, integration projects, project management approaches and commercial excellence initiatives.

Alex Tristram, Finance Director

Alex joined the Xeros in January 2018 as Group Financial Accounting Manager and was appointed Director of Finance and Company Secretary in March 2023, formally joining the Board in March 2024. Prior to joining Xeros, Alex qualified as a Chartered Accountant with PwC in 2013 and worked previously at Pressure Technologies PLC.

David Armfield, Senior Independent Director

David joined Xeros in June 2018. His background is in corporate finance, having previously worked for Lehman Brothers Limited as its Co-Head of European Industrial Coverage. He has also served as a partner

XEROS TECHNOLOGY GROUP PLC
DIRECTORS' REPORT - CONTINUED

at PwC, and as the firm's National Head of Industrial Products. He is a founding Partner of Kinetix Critchleys Corporate Finance LLP, which provides advisory services to companies in the Clean Technology and Resource Efficiency industries. David is Chair of the Audit Committee and the Remuneration Committee.

Rachel Nooney, Non-Executive Director

Rachel joined Xeros in July 2021. Her background is in brand development, strategy, marketing planning, and creative. She has held senior Head of Brand and Marketing roles at Marks and Spencer plc and New Look, where she was responsible for leading brand development, marketing campaigns, digital and retail marketing, talent, creative and production. Rachel has worked both client and agency side in marketing, and is the founder and principal consultant of shoreseven, a brand and strategic marketing consultancy. Rachel is a member of CIM and has provided mentorship for marketeers and young people wanting to develop and break into the creative industries with both CIM and Creative Mentor Network.

Substantial shareholders

As at 1 May 2024, shareholders holding more than 3% of the share capital of Xeros Technology Group plc were:

Name of shareholder	Number of shares	% of voting rights
Amati Global Investors	66,666,666	12.80
Lombard Odier Investment Managers	56,226,599	10.80
Canaccord Genuity Wealth Management	51,992,479	9.99
Premier Miton Investors	39,010,010	7.49
Entrepreneurs Fund LP	35,767,534	6.87
Rathbones	33,333,333	6.40
Cavendish Capital Markets	30,021,989	5.77
Dowgate Capital	22,407,761	4.30
Spreadex	21,377,014	4.11
Platform Securities Platform Services	16,666,666	3.20

Employment policies

The Group supports employment of disabled people where possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

Disclosure of risks

The Group's exposure to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 15 to the Financial Statements.

Research and development

The Group is engaged in research and development in respect of current and future applications of its technologies, improving both existing processes and developing new ones where appropriate.

XEROS TECHNOLOGY GROUP PLC
DIRECTORS' REPORT - CONTINUED

Key developments following the year end

Following the repricing of the Group's warrants as approved by warrant holders on 21 December 2023, during the revised warrant exercise period the Group received valid warrant exercise notices for 58,913,935 warrants during January 2024. The exercise of these warrants provided the Group with £1,679,000.

On 11 March 2024, the Group announced that Alex Tristram, the Group's Finance Director, would join the Board.

On 4 April 2024, the Group announced a placing and retail offer to issue 310,789,561 new shares at 1.5p each. The placing raised £4,662,000 for the Group, before fees.

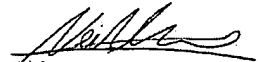
Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they 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 it has been communicated to the auditor.

Auditor

The Board will put Crowe U.K. LLP forward to be appointed as auditor by the shareholders and a resolution concerning their appointment will be put to the forthcoming AGM of the Company.

On behalf of the Board



Neil Austin
Chief Executive Officer
24 May 2024

Unit 2, Evolution
Advanced Manufacturing Park
Whittle Way
Catcliffe
Rotherham
S60 5BL

XEROS TECHNOLOGY GROUP PLC DIRECTORS' REMUNERATION REPORT

This remuneration report is not intended to comply with the quoted company remuneration reporting requirements in company law and is provided in order to meet the requirements of AIM rule 19.

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-Executive Directors are employed on letters of appointment which may be terminated on not less than one month's notice.

Companies with securities listed on AIM do not need to comply with the UKLA Listing Rules. The Remuneration Committee is, however, committed to maintaining high standards of corporate governance and disclosure and has applied the guidelines, as far as practicable, given the current size and development of the Company.

Remuneration Committee

The Remuneration Committee consists of David Armfield as Chairman and Klaas de Boer.

The Remuneration Committee reviews and make recommendations in respect of the Directors' remuneration and benefits packages, including share options, and the terms of their appointment. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees under the share incentive schemes. The Remuneration Committee meets at least once a year.

The main elements of the remuneration packages for Executive Directors and senior management are:

Basic annual salary (including directors' fees)

The base salary is reviewed annually from the beginning of each calendar year. The review process is undertaken by the Remuneration Committee and takes into account several factors, including the current position and development of the Group, individual contribution and market salaries for comparable organisations.

Discretionary annual bonus

All Executive Directors and senior managers are eligible for a discretionary annual bonus which is paid in accordance with a bonus scheme developed by the Remuneration Committee. This takes into account business performance and commercial progress, along with financial results.

Share incentive schemes

The Group operates share option plans, under which certain Directors and senior management have been granted options to subscribe for ordinary shares. All options are equity settled. The options are subject to service and performance conditions, have an exercise price of between 5 pence and 30,500 pence and the vesting period is generally three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Remuneration Policy for Non-Executive Directors

Remuneration for Non-Executive Directors is set by the Chairman and the Executive Members of the Board. Non-Executives do not participate in bonus schemes.

XEROS TECHNOLOGY GROUP PLC
DIRECTORS' REMUNERATION REPORT - CONTINUED

Directors' remuneration

The remuneration of the main Board Directors' of Xeros Technology Group plc who served from 1 January 2023 (or date of appointment if later) to 31 December 2023 (or date of resignation if earlier) was:

	Salary and fees £'000	Bonus payments £'000	Benefits £'000	Total year ended 31 December 2023 £'000	Total year ended 31 December 2022 £'000
Klaas de Boer	70	-	-	70	87
Mark Nichols (note 1)	-	-	-	-	405
Neil Austin (note 2)	260	-	2	262	112
Paul Denney (note 3)	91	-	-	91	259
David Armfield	35	-	-	35	35
David Baynes (note 4)	-	-	-	-	35
Rachel Nooney	35	-	-	35	35
Total	491	-	2	493	968

Note 1: Mark Nichols resigned as a Director on 1 August 2022.

Note 2: Neil Austin was appointed as a Director on 1 August 2022

Note 3: Paul Denney resigned as a Director on 28 February 2023

Note 4: Director's fees for David Baynes were payable to IP Group plc (see note 21 for further details).

Changes in Directorships

On 11 March 2024 it was announced that Alexander Tristram would join the Board as Finance Director.

Directors' shareholdings

The interests of the Directors holding office at 31 December 2023 in the shares of the Company as at 1 May 2024, including family interests, were:

	Ordinary shares of 0.1p each	
	Number	%
Klaas de Boer	8,383,333	1.61
Neil Austin	866,666	0.17
David Armfield	292,857	0.06
Rachel Nooney	200,000	0.04

XEROS TECHNOLOGY GROUP PLC
DIRECTORS' REMUNERATION REPORT - CONTINUED

Directors' interests in share options

Directors' interests in share options, for Directors who held office at any point during the period, granted under either the Xeros Technology Group plc Enterprise Management Incentive Share Option Scheme or the Xeros Technology Group plc Unapproved Share Option Scheme, to acquire ordinary shares of 0.01 pence each in the Company at 31 December 2022 were:

	At 1 January 2023	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Termination of directorship	At 31 December 2023	Exercise price	
Paul Denney	5,000	-	-	(5,000)	-	-	21,000.0	pence
Paul Denney	3,000	-	-	(3,000)	-	-	22,500.0	pence
Paul Denney	150,195	-	-	(150,195)	-	-	70	pence
Paul Denney	81,770	-	-	(81,770)	-	-	175	pence
Paul Denney	-	56,000	-	(58,000)	-	-	93.5	pence
Paul Denney	-	1,582,774	-	(527,592)	(1,055,182)	-	5	Pence
Neil Austin (note 1)	-	4,529,403	-	-	-	4,529,403	5	pence

Note 1: There were employment conditions in relation to the 4,529,403 options issued on 10 November 2022 which allowed for vesting in three equal proportions on 11 November 2023, 11 November 2024 and 11 November 2025.

On behalf of the Board

David Armfield
Chairman of the Remuneration Committee
24 May 2024

XEROS TECHNOLOGY GROUP PLC CORPORATE GOVERNANCE REPORT

Corporate governance

In April 2018, the Quoted Companies Alliance released a version of its code for small and mid-sized quoted companies (the "Code"). The Board fully supports the underlying principles contained within the Code, has reviewed the Code in detail and complies with parts of the Code where it deems it appropriate for the size and operations of the Group. The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Board. Corporate Governance will be continually monitored and reviewed by the Board at least annually, as part of the Annual Report and Accounts process each year.

The Board sets out its view on compliance with the corporate governance principles as detailed in the Code below and set out on the website at www.xerostech.com.

Principle One: Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy is to develop into an IP-rich, capital-light licensor of polymer-based water-saving solutions to multiple scale industries, all of which deploy the same Xeros core technologies. Given the scale of the markets in which the Group operates, the strategy is to commercialise the Xeros technology with partners who already have strong international market positions and who also demonstrate a strategic intent to deliver increased levels of sustainability.

Principle Two: Seek to understand and meet shareholder needs and expectations

The Group remains committed to an ongoing dialogue with shareholders to ensure that its strategy, direction and performance are clearly understood. Understanding the opinion of analysts and investors in the Group and, as a result, helping our business be better understood, is a crucial objective for the Group, and the Group actively seeks to engage in this area.

Private shareholders

The AGM is the key forum for dialogue between retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The Board and the Executive Directors routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Group's website.

Institutional shareholders

The Directors seek to build long-term relationships with institutional shareholders. These relationships are primarily managed by the Chief Executive Officer and the Finance Director. This process includes presentations to institutional shareholders and analysts following the release of the full-year and interim results, alongside other meetings as appropriate.

The Board as a whole is updated on these relationships, including any views or concerns held by shareholders, by the Executive Directors on a regular basis. Analyst reports are also circulated to the Board as and when they are produced.

Principle Three: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board believes that the long-term success of the Groups is reliant on good relationships with a wide variety of stakeholders, both internal and external to the Group. The Board is regularly updated on key stakeholder engagement by the Executive team and through other members of senior management, who manage stakeholder relationships where appropriate.

Employees

The Group is committed to employee engagement, as the knowledge, skill and application of its employees is the defining factor in the long-term success of the Group. The Group takes the employee value proposition seriously, engaging with employees to establish what is important to them, through direct feedback and ongoing dialogue. The annual performance review cycle is key to the Group, ensuring that staff are given the necessary support in their development throughout the year, as well as allowing the senior management team to get feedback at a one-to-one level.

Suppliers

The Group has relationships with key suppliers which are managed closely by relevant senior management to ensure ongoing supply of products or services which are crucial to the Group. The Board is actively updated on supplier relationships on a regular basis.

Customers

As the medium- and long-term strategy of the business evolves into the IP-rich, capital-light licensor of water saving solutions, relationships with licensees become longer term and more co-operative. These key relationships are managed by the appropriate members of the Group's senior management, with Board support where necessary. The Board is updated on key relationships on a regular basis.

Principle Four: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group has established a framework of internal controls which the Directors believe to be appropriate for the size and operations of the Group. This framework is reviewed by the Executive team, the Audit Committee and the Board on an ongoing basis.

The Board is responsible for reviewing and approving overall Group strategy, approving Group budgets and determining the financial structure of the Group. Monthly results, including variances and commentary, are reported to the Board on a regular basis.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

The Board has ultimate responsibility for the Group's system of internal control and the effectiveness thereof. Any such system can only mitigate partially against the risk of material misstatement or loss to the Group. The Board considers that the internal control environment in place within the Group is appropriate for the size, complexity and risk profile of the Group. A formal risk management document is presented to and reviewed by the Board on a regular basis, alongside updates on the functioning of the environment on an ad hoc basis.

Principle Five: Maintain the Board as a well-functioning, balanced team led by the chair

The Board comprises the Non-Executive Chairman, one Executive Director and two Non-Executive Directors. The Board believes that the Non-Executive Chairman and the Non-Executive Directors are classified as independent.

The Board believes that the make-up of the Directors currently provides a balance between independence and knowledge of the Group which allows them to discharge their responsibilities effectively, alongside the relevant Board committees. Board members are expected to commit time for a minimum of eight Board meetings a year, alongside adequate preparation time. Other meetings and commitments may be required as appropriate.

Principle Six: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board believes that the current make-up of Directors offers a well-balanced mix of skills in areas relevant to the long-term strategy of the Group. This belief is gained through a knowledge and understanding of the backgrounds of Board members, alongside the understanding of the needs of the Xeros Group. Details of the Directors, their backgrounds and the skills and expertise they bring to Xeros can be found above in this Annual Report and Accounts. Board members keep their skills up to date through regular updates from professional advisers.

The Board considers succession planning through the work of the Nomination Committee, considering the long-term benefits of an appointee and how their skills fit into the existing skills possessed by the Board. The continuous improvement process the Board undergoes ensures that they are aware of the areas in which they would like to strengthen, and it is through this lens that Director recruitment is performed. Executive Director and senior management succession planning is informed through the annual review cycle.

Principle Seven: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board, through an internal survey of Board members and led by the Chairman and the Senior Independent Director, performs an evaluation procedure at least annually. The results of this are presented to the Board alongside any actions or recommendations. The Board has acted and continues to act on the results of this evaluation where appropriate.

Principle Eight: Promote a corporate culture that is based on ethical values and behaviours

The Group exists to provide solutions to global environmental challenges of water scarcity and pollution. The Board believes that Xeros technology provides genuine solutions to these challenges and prides itself on the impact that the Group can make in these critical areas. It is through this lens that the Group promotes a corporate culture based on ethical values and behaviours.

This process is led by the Board, through actions such as committing resources to projects with an ethical and societally beneficial purpose and setting a tone at the top which encourages these within the wider Group. The Board receives feedback on the corporate culture through regular employee surveys and employee-led committees, such as the health and safety and sustainability committees.

Principle Nine: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board meets at least eight times a year in accordance with its meeting calendar. This meeting calendar is established each year to align with the Group's financial calendar, ensuring a spread across the financial year alongside meetings at key times during the year. This calendar can also be supplemented with additional meetings as and when required.

The Board and the associated committees receive appropriate information in a timely manner prior to each meeting.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Group. There is a formal schedule of matters which are reserved for the Board. These matters reserved for the Board include:

- the overall strategy for the Group
- the structure and capital of the Group
- the financial reporting and control environment of the Group
- the Group's internal control framework
- major contracts for the Group
- shareholder communications
- the delegation of authority and other key Group policies.

There is clear distinction between the roles of the Chairman and the Chief Executive Officer. The Chairman is responsible for providing leadership to the Board and ensuring that the long-term strategic focus of the Group is in the best interest of shareholders. The Chief Executive Officer is responsible for implementing the strategy as agreed by the Board and managing the direction of the Group through the Executive and wider senior management teams.

Board committees

The Board has established three subcommittees – the Audit, Remuneration and Nomination committees – which exist to support the Board in its objectives.

The Board believes the current governance structure is appropriate for the current size and scope of the Group. The Board remains committed to good corporate governance and will evolve the governance policies and procedures in place as the nature and scope of the Group evolves.

Principle Ten: Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM, meetings with institutional shareholders and online shareholder presentations. More detailed corporate information, including all announcements and presentations, can be seen on the Xeros website. The Board is provided with updates on these communications by the Executive team and through the Group's brokers as appropriate. The Group maintains an open dialogue with other key stakeholders, including Group employees.

The Board

The Board currently comprises two Executive Director and three Non-Executive Directors.

Audit Committee

The Audit Committee consists of David Armfield as Chairman and Rachel Nooney. Klaas de Boer and Neil Austin attend by invitation. The Audit Committee will, inter alia, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditor and, in consultation with the auditor, the scope of the audit. It has in the year received and reviewed reports from management and the Company's auditor relating to the annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets at least twice a year.

Nominations Committee

The Nominations Committee consists of Klaas de Boer as Chairman, David Armfield and Neil Austin. The Nominations Committee monitors the size and composition of the Board and the other Board committees and is responsible for identifying suitable candidates for Board membership and monitoring the performance and suitability of the current Board on an ongoing basis. The Board underwent significant change in 2022 and the Committee has reviewed the structure and skill set and, with appointment of Alex Tristram as Finance Director in April 2024, it meets the current needs of the Group. The Nominations Committee meets at least once a year.

Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, not eliminate risk, and such a system provides reasonable but not absolute assurance against material misstatement or loss. As it is AIM listed, the Company is not required to apply the full provisions of the UK Corporate Governance Code. The Board has adopted features of the QCA Corporate Governance Code where it considers it appropriate for the size and scope of the business.

Some key features of the internal control system are:

- (i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board which meets at least eight times per year;
- (ii) The Company has operational, accounting and employment policies in place;
- (iii) The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks;
- (iv) There is a clearly defined organisational structure; and
- (v) There are well-established financial reporting and control systems.

Going Concern

As at 31 December 2023, the Group had £1.6m of cash and cash equivalents. At this stage of its development, the Group incurs operating cash outflows and is reliant on existing cash resources. The Group's received £1.7m of cash in respect of warrant exercises during January 2024, and during April 2024, the Group completed an equity placing and retail offer which provided an additional £4.5m before fees. The Directors consider that, following these, the Group has sufficient cash to meet its obligations as they fall due for at least 12 months following the date of this report. The Directors also believe that these financial resources, alongside the Group's existing and anticipated customer contracts, provide the Group with a platform to reach cash breakeven.

While the Group actively manages key customer stakeholders where appropriate, the revenue anticipated to allow the Group to reach cash breakeven anticipated to be generated by these contracts is reliant on the actions of third parties and there remains risk that progress is not forthcoming in the timeframes anticipated by the Directors. Should there be significant delays in the commencement of the commercialisation of the Group's technology by its licence partners, the Group's existing cash balance may not be sufficient to support the Group's expenditure until the point the Group's revenue allows it to reach cash breakeven.

The Directors consider that they have a number of options in place should there be delays in commercialisation, including reductions in discretionary spending, that would allow the existing cash resources to provide a longer runway. Given the lack of certainty around the timing of the commencement of significant revenues generated by the Group, the Directors consider that the Group's current funding position constitutes a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern; in the absence of significant customer revenue, the Group's cash 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 concern basis of accounting in preparing this financial information.

XEROS TECHNOLOGY GROUP PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS101 '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 and profit or loss of the Company and the Group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 or 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. The Directors are also responsible for safeguarding the Company's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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.

XEROS TECHNOLOGY GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEROS TECHNOLOGY GROUP PLC

Independent Auditor's Report to the Members of Xeros Technology Group plc

Opinion

We have audited the financial statements of Xeros Technology Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2023, which comprise:

- the consolidated Group statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
- the consolidated Group and parent company statements of changes in equity for the year then ended;
- the consolidated Group and parent company statements of financial position as at 31 December 2023;
- the consolidated Group statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements 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 Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the Parent 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 as applied to listed entities, 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 1 in the financial statements, which indicates that the 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 following the date of this auditor's report. However, the group is reliant on the actions of third parties to generate revenue anticipated from customer contracts and there remains risk that progress is not forthcoming in the timeframes anticipated by the Directors. Should there be significant delays in the receipt of this revenue, the Group's existing cash balance may not be sufficient to support the Group's expenditure until the point the Group generates sufficient revenue to reach cash breakeven. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

XEROS TECHNOLOGY GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEROS TECHNOLOGY GROUP PLC- CONTINUED

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 evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included the following audit procedures:

- obtaining management's going concern assessment including future financing expectations, cash flow forecasts and sensitivity analysis covering the period to 31 December 2025;
- gaining an understanding of the design of processes and controls in place over management's forecasts supporting the going concern assessment and confirming that they are implemented as designed;
- challenging management over the key cost assumptions applied in the forecasts to determine whether these are reasonable and consistent with the trading expectations and history of the business;
- challenging management over the likelihood, timing and quantity of future revenues forecast;
- agreeing funds raised since the year end to supporting documentation;
- assessing the adequacy of the disclosures in the financial statements.

In performing our audit procedures, we observed the following:

in management's most likely outcome forecast in the period to 31 December 2025, the group is reliant on generating revenue from its contracts with third parties and there remains risk that progress in these contracts is not forthcoming in the timeframes anticipated by the Directors. Should there be delays in the receipt of this revenue, the group's existing cash balance may not be sufficient to support the group's expenditure; and

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £310,000, based on a 7% of the Group's Loss Before Tax. Materiality for the Parent Company financial statements as a whole was set at £45,000 based on 6% of the Parent Company's Loss Before Tax prior to the impairment of the intercompany receivable.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £217,000 for the group and £31,500 for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £15,500. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

XEROS TECHNOLOGY GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEROS TECHNOLOGY GROUP PLC- CONTINUED

Overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatements at the Group level. For the two significant components we identified, which are Xeros Technology Group plc and Xeros Limited, we performed a full scope audit of the complete financial information to component materiality. For the remaining components, we performed analytical reviews and other audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

The group audit team conducted the audit of the all components of the business and no component auditors were used during the audit process.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Aside from going concern, the work on which is noted in the section above, "Material uncertainty related to going concern", we have not identified any additional key audit matters to be reported.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 this gives rise to 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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.

XEROS TECHNOLOGY GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEROS TECHNOLOGY GROUP PLC- CONTINUED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 24, 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 group's and parent 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 group or the parent 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. 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 within which the Group and Parent Company operates. We also considered and obtained an understanding of the UK legal and regulatory framework which we considered in this context were the Companies Act 2006 and UK taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and misstatement of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals. We also reviewed and challenged accounting estimates and assumptions used by management in their going concern assessment, in order to verify that the calculations and models were reasonable and free of biases.

XEROS TECHNOLOGY GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEROS TECHNOLOGY GROUP PLC- CONTINUED

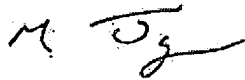
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect noncompliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available 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.



Michael Jayson (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor
3rd Floor
The Lexicon,
Mount Street,
Manchester,
M2 5NT

24 May 2024

XEROS TECHNOLOGY GROUP PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Continuing operations			
REVENUE	3	297	164
Cost of sales		(52)	(80)
GROSS PROFIT/(LOSS)		245	84
Administrative expenses	6	(4,982)	(7,518)
Adjusted EBITDA*		(4,606)	(7,368)
Share-based payment credit/(expense)	21	20	79
Depreciation of tangible fixed assets	10	(151)	(145)
OPERATING LOSS		(4,737)	(7,434)
Net finance (expense)/income	7	(38)	(14)
LOSS BEFORE TAX		(4,775)	(7,448)
Taxation	8	520	515
LOSS FOR THE PERIOD		(4,255)	(6,933)
OTHER COMPREHENSIVE (EXPENSE)/INCOME:			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences – foreign operations		2,209	(3)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(2,046)	(6,936)
LOSS PER SHARE			
Basic and diluted on loss from continuing operations	9	(2.82)p	(14.29)p
Basic and diluted on total loss for the period	9	(2.82)p	(14.29)p

* Adjusted EBITDA comprises loss on ordinary activities before interest, tax, share-based payment expense, warrant expense, depreciation and amortisation.

XEROS TECHNOLOGY GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital £'000	Share premium £'000	Deferred share capital £'000	Warrant reserve £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Accumula ted losses £'000	Total £'000
Balance at 31 December 2021	3,568	121,018	-	-	15,443	(2,206)	(130,761)	7,062
Loss for the year	-	-	-	-	-	-	(6,933)	(6,933)
Other comprehensive income	-	-	-	-	-	(3)	-	(3)
Loss and total comprehensive expense for the period	-	-	-	-	-	(3)	(6,933)	(6,936)
Transactions with owners, recorded directly in equity:								
Change in nominal value of ordinary shares	(3,544)	-	3,544	-	-	-	-	-
Issue of shares following placing and open offer	127	6,234	-	-	-	-	-	6,361
Costs of share issues	-	(539)	-	-	-	-	-	(539)
Warrant expense (restated)	-	(947)	-	947	-	-	-	-
Share-based payment Expense	-	-	-	-	-	-	(79)	(79)
Total contributions by and distributions to owners (restated)	(3,417)	4,748	3,544	947	-	-	(79)	5,743
At 31 December 2022 (restated)	151	125,766	3,544	947	15,443	(2,209)	(137,773)	5,869
Loss for the year	-	-	-	-	-	-	(4,255)	(4,255)
Other comprehensive expense	-	-	-	-	-	10	-	10
Other comprehensive expense: Reclassification of historical foreign exchange on the closure of overseas subsidiaries	-	-	-	-	-	2,199	(2,199)	-
Loss and total comprehensive expense for the year	-	-	-	-	-	2,209	(6,454)	(4,245)
Transactions with owners, recorded directly in equity:								
Share-based payment Expense	-	-	-	-	-	-	(20)	(20)
Total contributions by and distributions to owners	-	-	-	-	-	-	(20)	(20)
At 31 December 2023	151	125,766	3,544	947	15,443	-	(144,247)	1,604

XEROS TECHNOLOGY GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

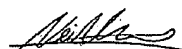
	Note	At 31 December 2023 £'000	<i>Restated</i> At 31 December 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	129	104
Right of use assets	10	772	717
Trade and other receivables	12	-	6
TOTAL NON-CURRENT ASSETS		901	827
Current assets			
Inventories	11	159	164
Trade and other receivables	12	352	387
Cash on deposit	13	4	4
Cash and cash equivalents	14	1,595	6,465
TOTAL CURRENT ASSETS		2,110	7,020
TOTAL ASSETS		3,011	7,847
LIABILITIES			
Non-current liabilities			
Right-of-use liabilities	16	(727)	(624)
Deferred tax	17	(38)	(38)
TOTAL NON-CURRENT LIABILITIES		(765)	(662)
Current liabilities			
Trade and other payables	16	(642)	(1,316)
TOTAL CURRENT LIABILITIES		(642)	(1,316)
TOTAL LIABILITIES		(1,407)	(1,978)
NET ASSETS		1,604	5,869
EQUITY			
Share capital	18	151	151
Share premium	18	125,766	125,766
Deferred share capital	18	3,544	3,544
Warrant reserve	18	947	947
Merger reserve	18	15,443	15,443
Foreign currency translation reserve		-	(2,209)
Accumulated losses		(144,247)	(137,773)
TOTAL EQUITY		1,604	5,869

Approved by the Board of Directors and authorised for issue on 24 April 2024.

Klaas de Boer
Chairman

Neil Austin
Chief Executive Officer

Company number: 08684474



XEROS TECHNOLOGY GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating activities			
Loss before tax		(4,775)	(7,448)
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	10	151	145
Share-based payment	20	(20)	(79)
(Decrease)/Increase in inventories	11	5	(56)
(Increase)/decrease in trade and other receivables	12	40	(15)
Decrease in trade and other payables	16	(615)	(46)
Finance income	7	(2)	(16)
Finance expense	7	39	30
Cash used in operations		(5,177)	(7,485)
Tax receipts	8	520	515
Net cash outflow from operations		(4,657)	(6,970)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(79)	(63)
Cash removed/(placed on) deposit	13	-	5,319
Net cash inflow/(outflow) from investing activities		(79)	5,256
FINANCING ACTIVITIES			
Finance income	7	1	15
Finance expense	7	(39)	(30)
Proceeds from issue of share capital, net of costs	18	-	5,821
Payment of lease liabilities		(105)	(113)
Net cash inflow from financing activities		(143)	5,693
Increase/(decrease) in cash and cash equivalents		(4,879)	3,979
Cash and cash equivalents at start of year/period		6,469	2,483
Effect of exchange rate fluctuations on cash held		5	3
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,595	6,465

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1) BASIS OF PREPARATION

Xeros Technology Group plc is a public limited company domiciled in the United Kingdom. The financial statements of Xeros Technology Group plc are audited consolidated financial statements for the year ended 31 December 2023. These include comparatives for the year ended 31 December 2022. The level of rounding for financial information is to the nearest thousand pounds.

The Company's registered office is Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, S60 5BL.

The consolidated financial statements have been prepared under the historical cost convention in accordance with UK-adopted international accounting standards.

Business combinations and basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Where the acquisition is treated as a business combination, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intragroup balances and transactions, including unrealised profits arising from intragroup transactions, are eliminated fully on consolidation.

Going Concern

As at 31 December 2023, the Group had £1.6m of cash and cash equivalents. At this stage of its development, the Group incurs operating cash outflows and is reliant on existing cash resources. The Group's received £1.7m of cash in respect of warrant exercises during January 2024, and during April 2024, the Group completed an equity placing and retail offer which provided an additional £4.6m before fees. The Directors consider that, following these, the Group has sufficient cash to meet its obligations as they fall due for at least 12 months following the date of this report. The Directors also believe that these financial resources, alongside the Group's existing and anticipated customer contracts, provide the Group with a platform to reach cash breakeven.

While the Group actively manages key customer stakeholders where appropriate, the revenue anticipated to allow the Group to reach cash breakeven anticipated to be generated by these contracts is reliant on the actions of third parties and there remains risk that progress is not forthcoming in the timeframes anticipated by the Directors. Should there be significant delays in the commencement of the commercialisation of the Group's technology by its licence partners, the Group's existing cash balance may not be sufficient to support the Group's expenditure until the point the Group's revenue allows it to reach cash breakeven.

The Directors consider that they have a number of options in place should there be delays in commercialisation, including reductions in discretionary spending, that would allow the existing cash

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

resources to provide a longer runway. Given the lack of certainty around the timing of the commencement of significant revenues generated by the Group, the Directors consider that the Group's current funding position constitutes a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern; in the absence of significant customer revenue, the Group's cash 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 concern basis of accounting in preparing this financial information.

The Group is subject to a number of risks, including those as set out in the strategic report on pages 9 to 12. These risks include the global macro-economic conditions, particularly in the global markets in which the Group and its partners operate. The going concern assessment as carried out by the Directors has taken the impact of these into account as far as possible. While this inclusion does not change the assessment of the Directors in respect of going concern, the Group remains reliant on the progress of international licence partners in order for it to execute the commercialisation strategy.

When making their going concern assessment the Directors assess available and committed funds against all non-discretionary expenditure, and related cash flows, as forecast for the period ended 31 December 2025. These forecasts indicate that the Group is able to settle its liabilities as they fall due in the forecast period. In these forecasts the Directors have considered appropriate sensitivities, including the progress of the Group's commercial contracts. Accordingly, the Directors continue to believe that the going concern assumption is appropriate for the Group and the financial statements have been prepared on that basis.

Note 15 to this financial information includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit, liquidity and market risk. The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Group.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2) MATERIAL ACCOUNTING POLICIES

The material accounting policies applied are set out below.

REVENUE RECOGNITION

Licence revenue

When the Group receives payments in the form of upfront payments or technology fees, the Group assesses those payments against the contracts in accordance with the provisions of IFRS 15, and allocates the revenue against the performance obligations accordingly based on the proportion of agreed scope allocated to each part of the contract.

Where licence revenue is based on sales of equipment by the licensee, the Group recognises revenue at the time of that sale.

Sale of goods

Where the Group sells either equipment or consumables to a customer directly, revenue is recognised when the product in question is delivered to the customer, and, if required, any installation or setup of the equipment has been performed.

Service contracts

Where the Group has a service contract in place, revenue is recognised in line with the profile of the delivery of the service to the customer on an outputs basis.

Linked contracts

When the Group sells equipment, services and consumables in a package under a single contract, the Group assesses the contract against the five steps of IFRS 15. This process includes the assessment of the performance obligations within the contract and the allocation of contract revenue across these performance obligations once identified. 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.

FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and the financial position of each group entity are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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 not retranslated.

The assets and liabilities of foreign operations are translated using exchange rates at the balance sheet date. The components of shareholders' equity are stated at historical value. An average exchange rate for the period is used to translate the results and cash flows of foreign operations.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Exchange differences arising on translating the results and net assets of foreign operations are taken to the translation reserve in equity until the disposal of the investment. The gain or loss in the statement of profit or loss and other comprehensive income on the disposal of foreign operations includes the release of the translation reserve relating to the operation that is being sold.

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 Group;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group 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 it was deemed that the probability of future economic benefit was uncertain at the time the costs were incurred.

LEASES

As a lessee

Where the Group enters a new contract, the Group considers whether this 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 Group 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 Group;
- the Group 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; and
- the Group has the right to direct the use of the identified asset throughout the period of use.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group 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 Group, 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 Group 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. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Group 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 Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any 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 Group 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 are shown separately and are included in property, plant and equipment notes for disclosure purposes. Lease liabilities are shown separately.

As a lessor

If the Group transfers substantially all the risks and benefits of ownership of the asset, 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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is 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
Vehicles	– 20% on cost on a straight-line basis

The gain or loss arising from 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 profit or loss and other comprehensive income.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

IMPAIRMENT OF NON-CURRENT ASSETS

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

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, work in progress and 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.

CASH ON DEPOSIT

Bank deposits where maturity is greater than three months from the date of investment, the Group cannot access the funds prior to the maturity date and the Group is not relying on the funds to meet its short-term operating requirements are disclosed as cash on deposit.

SHARE-BASED PAYMENTS

Certain employees and consultants (including Directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). This policy applies to all schemes, including the Deferred Annual Bonus scheme open to certain management personnel.

The cost of equity-settled transactions with employees is measured 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 Group's best estimate of the number of equity instruments that will ultimately vest. 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.

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. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

WARRANTS

The cost of equity-settled transactions with shareholders – i.e. the issuing of new shares to holders, in the form of warrants, is measured by reference to the fair value on the date on which they are granted. The fair value is determined by using an appropriate pricing model. The warrant charge is recognised over the vesting period of the warrants, if appropriate. Where warrants are issued to shareholders in their capacity as such, the warrant charge is recognised directly in equity. Where the terms of existing warrants are amended, the charge is recalculated and, if greater than the original charge, the additional charge is recognised in the same way.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised 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 derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorised as FVTPL or FVOCI.

After initial recognition, these are measured at amortised cost using the effective interest rate method. Discounting is omitted where the effect is immaterial. All of the Group's financial assets and financial liabilities fall into this category.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less expected credit losses. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the assets are impaired.

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.

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 Group are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade payables 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.

Impairment of financial assets

The Group accounts for impairment of financial assets using the expected credit loss model as required by IFRS 9. The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 profit or loss and other 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 Group'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 are recognised on an accruals basis with reference to the level of certainty regarding acceptance of the claims by HMRC. The Group 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, including that the Group is relatively certain of approval from the relevant taxation authorities are met and they are claimed on the Group's tax return.

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 profit or loss and other 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 and which does not give rise to equal taxable and deductible temporary differences.

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.

DISPOSAL GROUPS AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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. The point listed below is considered to be an area of judgement.

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. Specifically, the Directors consider production scale evidence of commercial operation of the Group's technology. 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.

Recognition of revenue from and the loan issued to ESTR Ltd

The Directors apply judgement in respect of the relationship that the Group holds with ESTR Ltd. The Group has an outstanding loan owed by ESTR Ltd, against which the Group recorded an expected credit loss in accordance with IFRS 9 in a prior period. The Directors review this loan on at least an annual basis and apply judgement as to the recoverability or otherwise of the loan. At the date of this report, the Directors believe there remains significant doubt regarding the recoverability of this loan and therefore the expected credit loss remains in place.

In addition, the Group has a technology licence with the same entity. The Directors consider the revenue recognition with respect to this licence against the criteria of IFRS 15 and assess at which point the revenue receivable under this licence is to be recognised. The licence contains minimum annual royalty payments for the duration of the licence, and under IFRS 15, given the Group's performance obligations under the contract, these minimum royalty payments could meet the criteria for recognition. However, given the commercial circumstances, the Directors consider that payment of these minimum royalties is not probable and future contractual revenue is not recognised.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT APPLIED

At the date of authorisation of these financial statements, the following IFRSs, IASs and Interpretations were in issue but not yet effective. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	1 January 2025
Amendments to IAS 7 <i>Statement of Cash Flows</i>	1 January 2024
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2024

3) SEGMENTAL REPORTING

The financial information by segment detailed below is frequently reviewed by the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ("CODM"). The Group's transition to a licensing organisation has led to a change to how the results of the Group are reviewed internally. The results are no longer split by segment but are reviewed in terms of the type of revenue. As such, the analysis below does not split the Group's results into separate operating segments and instead reports results as one single segment.

An analysis of revenues by type is set out below:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Sale of goods	77	18
Rendering of services	82	82
Licensing revenue	138	64
	297	164

The Group's largest customer was responsible for 32% of Group revenue in the year to 31 December 2023.

During the year ended 31 December 2022 the Group's largest customer was responsible for 31% of Group revenue.

An analysis of revenues by geographic location of customers is set out below:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Europe	161	120
North America	8	31
Rest of the World	128	13
	297	164

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

4) LOSS FROM OPERATIONS

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Loss from operations is stated after charging to administrative expenses:		
Foreign exchange losses	3	16
Depreciation of plant and equipment (note 10)	151	145
Short term and low value rentals	16	42
Staff costs (excluding share-based payment charge)	2,661	4,009
Research and development	222	837
Auditors remuneration:		
- Audit of these financial statements	24	38
- Audit of financial statements of subsidiaries of the company	23	30
- Audit related assurance services	4	5
Total auditor's remuneration	51	73

5) STAFF NUMBERS AND COSTS

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
The average monthly number of persons (including directors) employed by the Group during the year was:		
Directors	2	6
Operational staff	30	41
	32	47
	£'000	£'000
The aggregate remuneration, including directors, comprised:		
Wages and salaries	2,246	3,446
Social security costs	267	438
Pension contributions	132	132
Share-based payment (credit)/expense (note 21)	(20)	(79)
	2,625	3,938
Directors' remuneration comprised:		
Emoluments for qualifying services	493	968

Directors' emoluments disclosed above include £262,000 paid to the highest paid director (year ended 31 December 2022: £405,000). There are no pension benefits for Directors. Please see Directors' remuneration report on pages 14 to 17 for further information on Directors' emoluments.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

6) EXPENSES BY NATURE

The administrative expenses charge by nature is as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Staff costs, recruitment and other HR	2,735	4,221
Share-based payment (credit)/expense	(20)	(79)
Premises and establishment costs	160	157
Research and development costs	84	259
Patent and IP costs	549	687
Legal, professional and consultancy fees	617	1,088
IT, telecoms and office costs	164	265
Depreciation charge	151	145
Travelling, subsistence and entertaining	275	329
Advertising, conferences and exhibitions	256	360
Bad debt expense	10	64
Other expenses	(2)	6
Foreign exchange losses/(gains)	3	16
Total administrative expenses	4,982	7,518

7) NET FINANCE (EXPENSE)/INCOME

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Bank interest receivable	-	13
Finance expense in relation to right-of-use assets	39	(30)
Finance income from lease receivables	(1)	3
Net finance income	38	(14)

8) TAXATION

Tax on loss on ordinary activities

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Current tax:		
UK Tax credits received in respect of prior periods	(521)	(517)
Foreign taxes paid	1	2
	(520)	(515)
Deferred tax:		
Origination and reversal of temporary timing differences	-	-
Tax credit on loss on ordinary activities	(520)	(515)

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The credit for the year can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

Factors affecting the current tax charges

The tax assessed for the year varies from the main company rate of corporation tax as explained below:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
The tax assessed for the period varies from the main company rate of corporation tax as explained below:		
Loss on ordinary activities before tax	(4,775)	(7,448)
Tax at the standard rate of corporation tax 19% (2022: 19%)	(907)	(1,415)
Effects of:		
Expenses not deductible for tax purposes	(4)	(15)
Research and development tax credits receivable	(521)	(517)
Unutilised tax losses for which no deferred tax asset is recognised	911	1,430
Employee share acquisition adjustment	-	-
Foreign taxes paid	1	2
Tax credit for the year	(520)	(515)

The Group accounts for Research and Development tax credits where there is certainty regarding HMRC approval. The Group has received a tax credit in respect of the year ended 31 December 2022. There is no certainty regarding the claim for the year ended 31 December 2023 and as such no relevant credit or asset is recognised.

9) LOSS PER SHARE (BASIC AND DILUTED)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Total loss from continuing operations	(4,255)	(6,933)
Total loss attributable to the equity holders of the parent	(4,255)	(6,933)
	No.	No.
Weighted average number of ordinary shares in issue during the year	150,982,728	48,526,649
Loss per share		
Basic and diluted on loss from continuing operations	(2.82)p	(14.29)p
Basic and diluted on total loss for the year	(2.82)p	(14.29)p

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The weighted average number of shares in issue throughout the period is as follows.

	Year ended 31 December 2023	Year ended 31 December 2022
Issued ordinary shares at 1 January 2023/1 January 2022	150,980,123	23,784,483
Effect of shares issued for cash	2,605	24,742,166
Weighted average number of shares at 31 December	150,982,728	48,526,649

The Company has issued employee options over 9,557,130 (31 December 2022: 10,852,514) ordinary shares which are potentially dilutive. There is, however, no dilutive effect of these issued options as there is a loss for each of the periods concerned.

10) PROPERTY, PLANT AND EQUIPMENT

	Right-of- use assets £'000	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 31 December 2021	177	548	292	134	48	1,199
Additions	775	29	1	32	-	837
Disposals	(177)	-	-	-	-	(177)
At 31 December 2022	775	577	293	165	48	1,859
Additions	154	51	20	7	1	232
Disposals	-	-	-	-	-	-
At 31 December 2023	928	628	313	173	49	2,091
Depreciation						
At 31 December 2021	163	526	236	99	47	1,071
Charge for the year	72	24	31	17	1	145
Disposals	(177)	-	-	-	-	(177)
At 31 December 2022	57	550	267	116	48	1,038
Charge for the year	98	4	23	26	1	151
Disposals	-	-	-	-	-	-
At 31 December 2023	155	554	290	142	49	1,189
Net book value						
At 31 December 2023	772	74	23	31	1	901
At 31 December 2022	718	27	26	49	1	821
At 31 December 2021	14	22	55	35	2	128

All the right-of-use assets relate to land and buildings.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

11) INVENTORIES

	31 December 2023 £'000	31 December 2022 £'000
Finished goods	159	164

In the year ended 31 December 2023, changes in finished goods recognised as cost of sales amounted to £5,000 (year ended 31 December 2022: £11,000).

12) TRADE AND OTHER RECEIVABLES

	31 December 2023 £'000	31 December 2022 £'000
Due within 12 months		
Trade debtors	10	24
Other receivables	11	134
Prepayments	209	183
Accrued income	122	46
	352	387
Due after more than 12 months		
Other receivables	-	6

There is no material difference between the lease receivables amounts included in other receivables noted above, the minimum lease payments or gross investment in the lease as defined by IFRS 16.

The minimum lease payment is receivable as follows:

	31 December 2023 £'000	31 December 2022 £'000
Not later than one year	7	25
Later than one year not later than five years	-	6
	7	31

Contractual payment terms with the Group's customers are typically 30 to 60 days. The Directors considered the carrying value of trade receivables at 31 December 2023 and made a provision of £55,000 (31 December 2022: £55,000) for potential impairment losses arising from balances which were considered to be past due. The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables the Directors consider any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on credit risk management policies, refer to note 15.

Other receivables as of 31 December 2022 of £6,000) due after more than one year comprised the long-term portion of finance leases where the Group acts as lessor.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

13) CASH ON DEPOSIT

	31 December 2023 £'000	31 December 2022 £'000
Bank deposits maturing between 3 and 12 months	4	4
	4	4

At 31 December 2023, the Group held £4,000 (2022: £4,000) 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. For details of credit risk management, see note 15.

14) CASH AND CASH EQUIVALENTS

	31 December 2023 £'000	31 December 2022 £'000
A+	-	6,449
A	1,585	7
BBB+	8	7
Held outside banking institutions	2	2
Cash and cash equivalents	1,595	6,465

The above has been split by the Fitch rating system and gives an analysis of the long-term credit rating of the financial institutions where cash balances are held.

All of the Group's cash and cash equivalents at 31 December 2023 are at floating interest rates. Balances are denominated in UK sterling (£), US dollars (\$) and euros (€) as follows:

	31 December 2023 £'000	31 December 2022 £'000
Denominated in pound sterling	1,456	6,430
Denominated in US dollars	17	13
Denominated in euros	122	22
Cash and cash equivalents	1,595	6,465

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value. For details of credit risk management policies, refer to note 15.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

15) FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise short-term receivables and payables, and cash and cash equivalents. The Group does not trade in financial instruments.

(a) Fair Values of Financial Assets and Financial Liabilities

Derivative Financial Instruments – Fair Value Hierarchy

The following hierarchy classifies each class of financial asset or liability depending on the valuation technique applied in determining its fair value:

- Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.
- Level 2: The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Level 3: The fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group considers any forward foreign exchange contracts to be Level 2 in the fair value hierarchy should it enter into any. The Group has not entered into any such contracts in either the current or the prior year. There have been no transfers between categories in the current or preceding year. The fair value of financial instruments held at fair value have been determined based on available market information at the balance sheet date.

(b) Credit risk

Financial Risk Management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk in respect of trade and lease receivable 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 Group's financial results. The Group 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.

The Group is potentially exposed to credit risk in respect of its cash, both bank deposits and cash held on deposit, in the event of failure of the respective banks. The Group attempts to mitigate this risk through ongoing monitoring of the credit ratings of those banks. Further details are set out in note 16. At 31 December 2023, the Directors were not aware of any factors affecting the recoverability of the Group's bank balances.

Exposure to Credit Risk

At 31 December 2023, the Group had gross trade receivables outstanding of £65,000 (2022: £79,000). The Directors have considered the recoverability of outstanding balances at 31 December 2023 and have made provisions for bad and doubtful debts amounting to £55,000 (2022: £55,000). The Group had gross lease receivable balances outstanding of £7,000 (2022: £79,000) and provision in place in respect of these lease receivables of £nil (2022: £50,000).

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The concentration of credit risk for trade and other receivables and lease receivables at the balance sheet date by geographic region was:

	31 December	31 December
	2023	2022
	£'000	£'000
United Kingdom	353	392
United States of America	-	1
	353	393

(c) Liquidity Risk

Financial Risk Management

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its future obligations as they fall due. The Group'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.

The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities	31 December	31 December
	2023	2022
	£'000	£'000
Due within one year		
Trade and other payables	283	585
Due after one year		
Right of use liabilities	876	624
Other liabilities	80	80
Total	1,239	1,289

Further analysis of Right of use liabilities is given in note 19.

The Group's bank also provides the Group with a credit card facility, with a maximum value of £50,000, which is repaid in full each month.

(d) Market Risk

Financial Risk Management

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates, will affect the Group'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 Group's holding of cash and cash equivalent balances and from cash held on term deposit accounts (see notes 13 and 14). The Board makes ad hoc decisions at its regular Board meetings, as to whether to hold funds in instant access accounts or longer-term deposits. All accounts are held with reputable 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.

Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases and cash held in bank accounts that are denominated in a currency other than the respective functional currencies of Group entities, primarily pound sterling (GBP), US dollars (USD) and the euro (EUR). The Group's policy is to reduce currency exposure on sales and purchasing through forward foreign currency contracts where appropriate.

The Group had no forward currency contracts in place as at either 31 December 2023 or 31 December 2022.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The Group's overall exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments.

At 31 December 2023

	Sterling £'000	US Dollar £'000	Euro £'000	Chinese Yuan £'000	Total £'000
Cash and cash equivalents	1,453	17	122	-	1,592
Cash on deposit	4	-	-	-	4
Trade and other receivables	343	(1)	10	-	352
Trade and other payables	(597)	(46)	-	-	(643)
Balance sheet exposure	1,203	(30)	132	-	1,305
Net exposure		(30)	132	-	102

At 31 December 2022

	Sterling £'000	US Dollar £'000	Euro £'000		Total £'000
Cash and cash equivalents	6,426	13	22	-	6,461
Cash on deposit	4	-	-	-	4
Trade and other receivables	378	5	10	-	393
Trade and other payables	(1,769)	(173)	3	(1)	(1,940)
Balance sheet exposure	5,039	(155)	35	(1)	4,918
Net exposure	-	(155)	4	(1)	(152)

Sensitivity Analysis

A 10% weakening of the following currencies against the pound sterling at 31 December 2023 would have increased equity and profit or loss by the amounts shown below. The calculation assumes that the change occurred at the balance sheet date and had been applied to the risk exposure existing at that date.

This analysis assumes that all other variables, in particular, other exchange rates and interest rates remain constant. The analysis is performed on the same basis for the period ended 31 December 2022.

	Equity		Profit or Loss	
	31 December 2023 £'000	31 December 2022 £'000	31 December 2023 £'000	31 December 2022 £'000
US Dollars	(3)	(4)	(3)	(4)
Euros	(13)	-	(13)	-

A 10% strengthening of the above currencies against the pound sterling at 31 December 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

Interest Rate Risk

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2023 £'000	31 December 2022 £'000
Fixed rate instruments		
Financial assets	4	4
Financial liabilities	-	-
	4	4

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Variable rate instruments		
Financial assets – cash	1,592	6,465
Financial liabilities	-	-
	1,592	6,465

Based on the Group's above balances at 31 December 2023, if interest rates had been 5% higher, then the impact on the results for the year would be a reduction in the loss for the period of approximately £80,000 with a corresponding increase in the Group's net assets. If the interest rate had reduced to 0%, there would have been no effect on the reported loss or on the Group's net assets.

(e) Capital Management

The Group's capital is made up of share capital, share premium and retained losses, totalling £1,278,000 at 31 December 2023 (31 December 2022: £5,869,000).

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources. There are no externally imposed capital requirements. Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

16) TRADE AND OTHER PAYABLES

	31 December 2023 £'000	31 December 2022 £'000
Trade payables	206	528
Taxes and social security	76	98
Other creditors	44	33
Accruals and deferred income	233	600
Right-of-use liabilities	83	57
	642	1,316
Current	642	1,316
Non-current, comprising right-of-use liabilities	727	624
	1,369	1,940

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Trade payables, split by the currency they will be settled in are shown below:

	31 December 2023 £'000	31 December 2022 £'000
Sterling	203	405
US dollars	3	125
Euros	-	(3)
Chinese yuan renminbi	-	1
Trade payables	206	528

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms. The Directors consider that the carrying value of trade and other payables approximate their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the relevant credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

17) DEFERRED TAX

	31 December 2023 £'000	31 December 2022 £'000
Accelerated depreciation for tax purposes	38	38
Deferred tax credit/(expense) for the period	-	-

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At beginning of year	38	38
Tax expense	-	-
At end of year	38	38

As at 31 December 2023, the Group had unrecognised deferred tax assets in relation to losses of £76,532,000 (31 December 2022: £71,801,000). The Group has not recognised this as an asset in the Statement of Financial Position due to the uncertainty in the timing of its crystallisation.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

18). SHARE CAPITAL AND WARRANTS

	Number	Share capital £'000	Share premium £'000	Deferred share capital £'000	Merger reserve £'000	Total £'000
Total ordinary shares of 15p each as at 31 December 2021	23,784,483	3,568	121,018	-	15,443	140,029
Change in nominal value of ordinary shares	-	(3,544)	-	3,544	-	-
Issue of ordinary shares following placing and open offer	127,195,640	127	6,234	-	-	6,361
Costs of share issues	-	-	(539)	-	-	(539)
Warrant expense	-	-	(947)	-	-	(947)
Total ordinary shares of 0.1p each as at 31 December 2022	150,980,123	151	125,766	3,544	15,443	144,904
Issue of ordinary shares as a result of warrants	2,794	-	-	-	-	-
Costs of share issues	-	-	-	-	-	-
Total ordinary shares of 0.1p each as at 31 December 2023	150,982,917	151	125,766	3,544	15,443	144,904

The Group undertook a share capital reorganisation exercise during the year ended 31 December 2022, splitting the ordinary shares with a nominal value of 15p into ordinary shares of 0.1p and deferred shares of 14.9p. The new deferred shares have no significant rights attached to them and carry no right to vote or participate in distribution of surplus assets and have not been admitted to trading on the AIM market of the London Stock Exchange plc, nor will they in the future. Accordingly, deferred shares are excluded from the calculation of earnings per share in note 9.

	Number
Total deferred shares of 14.9p each as at 31 December 2021	-
Issue of deferred shares as part of share capital reorganisation	23,784,483
Total deferred shares of 14.9p each as at 31 December 2022	23,784,483
Total deferred shares of 14.9p each as at 31 December 2023	23,784,483

As permitted by the provisions of the Companies Act 2006, the Company does not have an upper limit to its authorised share capital.

The following is a summary of the changes in the issued share capital of the Company during the period ended 31 December 2023:

- (a) 2,794 ordinary shares of 0.1p per share were allotted at a price of 5p per share, for total cash consideration of £137 upon the exercise of warrants.

At 31 December 2023, the Company had two classes of share, being ordinary shares of 0.1p each and deferred shares of 14.9p each.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The Group's Share Capital reserve represents the nominal value of the ordinary shares in issue. The Group's Share Premium Reserve represents the premium the Group received on issue of its shares. The Group's Deferred Share Capital reserve represents the nominal value of the deferred shares in issue. The Merger Reserve arose on the combination of companies within the Group prior to the flotation on AIM.

As part of the placing completed in October 2022 the Group issued warrants to purchase ordinary shares of 0.1p for a fixed fee of 5p per share. Following consultation with warrant holders, the outstanding warrants were repriced to 2.85p per share in December 2023. In addition, the warrant exercise lapse date was amended to 31 January 2024. The warrant charge as calculated based on this reprice was lower than the initial warrant charge recognised on issue and hence no adjustment to the warrant charge has been recognised in these financial statements.

	Number of warrants	Weighted average exercise price (p)	Weighted average contractual life (years)
At 31 December 2021	-	-	-
Issued in the period	127,195,640	5	1.5
At 31 December 2022	127,195,640	5	1.5
Exercised in the period	(2,794)	5	1.5
Effect of warrant reprice	-	(2.15)	(1.4)
At 31 December 2023	127,192,846	2.85	0.1

19) LEASES

The Group 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 10).

Leases of buildings end within ten years. Lease payments are generally fixed.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises, the Group 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 Group 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	No. of right-of-use assets leased	Remaining range of term	Average remaining lease term	No. of leases with termination options
Land and buildings	2	52 - 99 months	76 months	2

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Right-of-use assets

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

	Land and buildings
	£'000
Balances as at 31 December 2021	14
Additions in the year	775
Depreciation charged in the year	(72)
Disposals in the year	-
Foreign exchange differences	-
Balance as at 31 December 2022	718
Additions in the year	154
Depreciation charged in the year	(98)
Balance as at 31 December 2023	772

Lease liabilities

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

	31 December	31 December
	2023	2022
	£'000	£'000
Current	83	57
Non-current	647	624
	730	681

Both leases have termination options and no leases with extension options.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of the lease liabilities at 31 December 2023 is as follows:

	Within 1	1–2	2–3	3–4	5+	Total
	year	years	years	years	years	
Lease payments	(119)	(119)	(119)	(119)	(400)	(876)
Finance charges	36	30	25	20	36	146
Net present value	(83)	(89)	(94)	(99)	(364)	(730)

20) SHARE BASED PAYMENTS

Share options

The Company has share option plans (The Xeros Technology Group plc Unapproved Share Option Scheme and The Xeros Technology Group plc Enterprise Management Incentive Share Option Scheme) under which it grants options over ordinary shares to certain Directors, employees and consultants of the Group. Options under these plans are exercisable at a range of exercise prices ranging from the nominal value of the Company's shares to the market price of the Company's shares on the date of the grant. The vesting period for shares is usually over a period of three years. The options are settled in equity once exercised. If the options remain unexercised for a period after 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. Options issued in 2019, 2020 and 2021 have vesting conditions based upon the share price meeting certain targets.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The number and weighted average exercise prices of share options are as follows:

	EMI options	Unapproved options	Number of share interests		Total	Weighted average exercise price per share (£)
			Deferred Annual Bonus plan			
At 31 December 2021	1,755,792	332,058	45		2,087,895	5.620
Granted in the period	6,510,356	2,841,858	-		9,352,214	(4,560)
Exercised in the year	-	-	-		-	-
Forfeited/cancelled in the year	(347,234)	(240,361)	-		(587,595)	(0.518)
At 31 December 2022	7,918,914	2,933,555	45		10,852,514	0.543
Forfeited/cancelled in the period	(1,200,957)	(94,427)	-		(1,295,384)	(0.253)
At 31 December 2023	6,717,957	2,839,128	45		9,557,130	0.290

There were 5,953,670 share options outstanding at 31 December 2023 which were eligible to be exercised. The remaining options were not eligible to be exercised as these are subject to employment period and/or market-based vesting conditions, some of which had not been met at 31 December 2023. Options have a range of exercise prices from 5 pence per share to 30,500 pence per share and have a weighted average contractual life of 8.62 years (31 December 2022: 8.87 years).

A credit has been recognised in the consolidated statement of profit or loss and other comprehensive income for each period as follows:

	31 December 2023	31 December 2022
	£000	£000
Share options	(20)	(79)

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

21) RELATED PARTY TRANSACTIONS

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed below. Transactions entered into, along with trading balances outstanding at each period end with other related parties, are as follows:

Related party	Relationship	Purchases from related party 31 December 2023 £000	Amounts owed to related party 31 December 2023 £000	Purchases from related party 31 December 2022 £000	Amounts owed to related party 31 December 2022 £000
IP Group plc	Fund manager for certain shareholders (note)	(4)	-	35	4
Cofra London Limited	Shareholder (note2)	15	15	-	-

Note: IP Group plc provide the services of David Baynes, who was a director of the Company until 31 December 2022, and invoice the Group for related fees. David Baynes was a Director of both the Company and of IP Group plc.

Note2: Cofra London Limited provide the services of Donald Brennkmeijer as a strategic advisor to the Board, and invoice the Group for related fees.

Terms and conditions of transactions with related parties

Purchases between related parties are made on an arm's length basis. Outstanding balances are unsecured, interest free and cash settlement is expected within 60 days of invoice.

Transactions with Key Management Personnel

The Company's key management personnel comprise only the Directors of the Company. During the period, the Company entered into the following transactions in which the Directors had an interest:

Directors' remuneration:

Remuneration received by the Directors from the Company is set out below. Further detail is provided within the Directors' remuneration report:

	Year ended 31 December 2023 £000	Year Ended 31 December 2022 £000
Short-term employment benefits*	493	968

*In addition, certain Directors hold share options in the Company for which a fair value share based charge of £93,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income (year ended 31 December 2022: £93,000).

The highest-paid Director in the year received a total remuneration of £262,000 (year ended 31 December 2022: £405,000). During the year ended 31 December 2023, the Company entered into numerous transactions with its subsidiary companies which net off on consolidation – these have not been shown above.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

22) EVENTS AFTER THE REPORTING PERIOD

Exercise of warrants

Following the repricing of the Group's warrants as approved by warrant holders on 21 December 2023, during the revised warrant exercise period the Group received valid warrant exercise notices for 58,913,935 warrants during January 2024. The exercise of these warrants provided the Group with £1,679,000.

Board appointment

On 11 March 2024, the Group announced that Alex Tristram, the Group's Finance Director, would join the Board.

Placing and Retail Offer

On 4 April 2024, the Group announced a placing and retail offer to issue 310,789,561 new shares at 1.5p each. The placing raised £4,662,000 for the Group, before fees.

23) PRIOR YEAR RESTATEMENT

In the current year it was noted that, the warrant reserve of £947,000 as created in 2023 was posted as a debit balance within equity rather than as a credit balance in error. As a result, and due to the material nature of the balance, the prior year has been restated in these financial statements. Given the nature of this restatement, there is no impact in either net assets as at 31 December 2022 or on the reported loss for the year ended 31 December 2022.

XEROS TECHNOLOGY GROUP PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Attributable to the equity holders of the Company

	Share capital	Share premium (restated)	Deferred share capital	Warrant reserve (restated)	Merger reserve	Retained earnings reserve	Total
	£000	£000	£'000	£'000	£000	£000	£000
At 31 December 2021	3,568	121,018	-	-	6,625	(121,416)	9,795
Total expense and other comprehensive loss for the period	-	-	-	-	-	(10,137)	(10,137)
Transactions with owners, recorded directly in equity:							
Issue of placing shares	127	6,234	-	-	-	-	6,361
Exercise of share options	-	-	-	-	-	-	-
Costs of share issues	-	(539)	-	-	-	-	(539)
Change in nominal value of ordinary shares	(3,544)	-	3,544	-	-	-	-
Warrant expense (restated)	-	(947)	-	947	-	-	-
Share based payment expense	-	-	-	-	-	93	93
Share based payment expense in respect of services provided to subsidiary undertaking	-	-	-	-	-	(172)	(172)
Total contributions by and distributions to owners	(3,417)	4,748	3,544	947	-	(79)	5,743
At 31 December 2022 (restated)	151	125,766	3,544	947	6,625	(131,632)	5,401
Total expense and other comprehensive loss for the period	-	-	-	-	-	(4,681)	(4,681)
Transactions with owners, recorded directly in equity:							
Issue of placing and open offer shares	-	-	-	-	-	-	-
Costs of share issues	-	-	-	-	-	-	-
Share based payment expense	-	-	-	-	-	(20)	(20)
Share based payment expense in respect of services provided to subsidiary undertaking	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	(4,672)	(4,672)
At 31 December 2023	151	125,766	3,544	947	6,625	(136,333)	700

XEROS TECHNOLOGY GROUP PLC
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	At 31 December 2023 £000	Restated At 31 December 2022 £000
ASSETS			
Non-current assets			
Intercompany loan balance	C5	-	-
Total non-current assets		-	-
Current assets			
Trade and other receivables	C6	27	80
Cash and cash equivalents		832	5,698
Total current assets		859	5,778
TOTAL ASSETS		859	5,778
LIABILITIES			
Current liabilities			
Trade and other payables	C7	(159)	(377)
TOTAL LIABILITIES		(159)	(377)
NET ASSETS		700	5,401
EQUITY			
Share capital	18	151	151
Share premium	18	125,766	125,766
Deferred share capital		3,544	3,544
Warrant reserve		947	947
Merger reserve		6,625	6,625
Retained earnings		(136,333)	(131,632)
TOTAL EQUITY		700	5,401

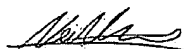
The Company reported a loss for the year ended 31 December 2023 of £4,681,000 (2022: £10,137,000). The accounting policies and notes on pages 63 to 65 form part of these Financial Statements.

Approved by the Board of Directors and authorised for issue on 24 May 2024.

Klaas de Boer
Chairman

Neil Austin
Chief Executive Officer

Company number: 08684474



XEROS TECHNOLOGY GROUP PLC
NOTES TO THE COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

C1. Basis of preparation and accounting policies

Xeros Technology Group plc is registered in England and Wales as a public limited company. The address of its registered office is Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire, S60 5BL.

The principal activity of Xeros Technology Group plc (together the "Group") is that of a platform technology company that is transforming water-intensive industrial and commercial processes. The principal activity of the Company is that of a holding company.

The separate financial statements of the Company have been prepared in accordance with the Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. The principal accounting policies are consistent with those set out in the financial statements of the Group.

The following exemptions from the requirements in IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1 "Presentation of Financial Statements"
 - 16 (statement of compliance with all IFRS); and
 - 134–136 (capital management disclosures)
- IFRS 9 "Financial Instruments: Disclosures";
- IAS 24 (paragraphs 17 and 18a) "Related Party Disclosures" (key management compensation); and
- IAS 24 "Related Party Disclosures" – the requirement to disclose related party transactions between two or more members of a group.

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

- A cashflow statement and related notes
- IFRS 2 "Share-Based Payments" in respect of Group settled equity share-based payments; and
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and disclosures required by IFRS 7 "Financial Instruments: Disclosures".

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experiences 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:

Carrying value of intercompany loan balances

Xeros Technology Group has previously held significant balances as investments in subsidiaries and intercompany loan balances. The Directors consider the valuation and recoverability of these balances based on the potential future cashflows from utilisation of the Xeros technology. The Directors consider all available evidence in making their judgements on the recoverability of these balances, including both internal and external valuations of the Group, the likelihood and extent of any Group funding requirements and the anticipated timescale to recovery of the balances. A provision of £3,903,000 has been made in the year and the Company's intercompany loan balance to Xeros Ltd stands at £nil as at the period end.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

C2. Company results

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company's statement of profit or loss and other comprehensive income. The parent company's result for the year ended 31 December 2023 was a loss of £4,681,000 (year ended 31 December 2022: loss of £10,137,000).

The audit fee for the Company is set out in note 5 of the Group's financial statements.

C3. Staff numbers and costs

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
The average monthly number of persons (including directors) employed by the Group during the year was:		
Directors	4	6
	4	6
	£'000	£'000
The aggregate remuneration, including directors, comprised:		
Wages and salaries	448	928
Social security costs	60	125
Share based expense (note 20)	64	132
	572	1,185
Directors' remuneration comprised:		
Emoluments for qualifying services	493	857

Directors' emoluments disclosed above include £262,000 paid to the highest paid director (Year ended 31 December 2022: £405,000). There are no pension benefits for directors. Please see Directors' Remuneration Report on pages 16 to 19 for further information on directors' emoluments.

C4. Investment in subsidiary companies

At 31 December 2023, the Company held the following investments in subsidiaries;

Undertaking	Sector	Share of issued capital and voting rights 2023
Xeros Limited	Research, development and commercialisation of polymer technology alternatives to traditional aqueous based technologies	100%

Xeros Limited, is incorporated in England and Wales as a private limited company under registered number 05933013. Its registered office is Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, S60 5BL.

XEROS TECHNOLOGY GROUP PLC
NOTES TO THE COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

Cost and net book value	£000
At 31 December 2021	-
Diminutions	(172)
Reversal of impairment	172
At 31 December 2022	-
Diminutions	(20)
Reversal of impairment	20
At 31 December 2023	-

Additions comprise amounts in respect of the IFRS 2 share-based payment contribution relating to options granted to employees of the Company's subsidiaries. Impairment relates to provisions against the investment in Xeros Ltd as the Directors believe that this amount may not be recoverable.

C5. Intercompany loans

	31 December 2023 £000	31 December 2022 £000
Intercompany loan	-	-

Loans comprise a loan of £nil (31 December 2022: £nil) to Xeros Limited. No interest was payable on this loan. All intercompany loans are repayable on demand. The expected credit loss recorded in the year was £3,903,000.

C6. Trade and other receivables

	31 December 2023 £000	31 December 2022 £000
Prepayments	28	33
Other debtors	(1)	47
	27	80

C7. Trade and other payables

	31 December 2023 £000	31 December 2022 £000
Trade payables	26	220
Social security and other taxes	18	27
Accruals	115	130
	159	377

C8. Prior year restatement

In the current year it was noted that, the warrant reserve of £947,000 as created in 2023 was posted as a debit balance within equity rather than as a credit balance in error. As a result, and due to the material nature of the balance, the prior year has been restated in these financial statements. Given the nature of this restatement, there is no impact in either net assets as at 31 December 2022 or on the reported loss for the year ended 31 December 2022.