

# **Xstrahl Group Holdings Limited**

Annual report and Financial statements

Year ended

31 December 2019

Company Number 11155857

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# **Xstrahl Group Holdings Limited**

**Annual report and financial statements  
For the year ended 31 December 2019**

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## **Legal form**

Private limited company

## **Directors**

L O Johnson  
A J Treverton  
A C Tulk  
P L Viner  
M S Sandhu  
J R Jenkins

## **Registered office**

The Coliseum, Building 3, Watchmoor Park, Riverside Way, Camberley, Surrey, GU15 3YL

## **Company number**

11155857

## **Auditors**

BDO LLP, Level 12, Thames Tower, Reading, Berkshire, RG1 1LX

# **Xstrahl Group Holdings Limited**

## **Strategic report For the year ended 31 December 2019**

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

### **Principal activities**

Xstrahl Group Holdings Limited ('Xstrahl') is the holding company of a number of subsidiaries, all of which were acquired on 8 March 2018, when Risk Capital Partners LLP backed the incumbent Xstrahl management team in two acquisitions, the first being Xstrahl Group Limited and the second being Phoenix Objectives Limited and Xstrahl Inc.

Xstrahl is a leading designer and manufacturer of superficial orthovoltage X-ray systems used in the treatment of cancers and dermatological disorders, as well as a pioneer in the development of advanced X-ray systems for pre-clinical radiation biology research.

The company is headquartered in Britain and has facilities in the US. The majority of its production is exported to over 25 countries. Its customers are mainly hospitals and laboratories.

### **Principal developments during the period**

During 2018, a new product was launched, initially for the US Dermatological market, called RADiant, being a dual-modality surface radiation therapy system offering a non-surgical treatment alternative to Non-Melanoma Skin Cancer and a number of other skin conditions. RADiant has now been launched in the European market following the early interest and success in the US, along with the ongoing development of a 'Version 2' RADiant, which we expect will be launched in 2021.

### **Business review**

The financial statements cover the year to 31 December 2019. The reported period is a full twelve months, with comparatives covering just under 10 months.

#### *Income Statement*

Revenue during the period was £11.2m (2018 - £9.0m). The Group's predominant markets are in the US, UK and Germany, aligning to the location of the three main trading subsidiaries. A breakdown by territory is shown in note 4. Revenue predominantly relates to the capital sale of systems and devices, as well as recurring income for service, plus income for spare parts and software.

Cost of sales of £4.9m (2018 - £5.6m) reflects both the cost of system parts and freight charges, as well as other direct cost of sales.

Administrative overheads of £8.3m (2018 - £6.8m) include £1.2m (2018 - £1.1m) in respect of the amortisation of intangible assets, £0.2m (2018 - £0.1m) of depreciation, £0.1m of amortisation of right-of-use assets (2018 - nil), and a further £6.8m (2018 - £5.6m) in relation to all indirect staff costs, marketing and exhibition expenses, the cost of running the Group's various offices and assembly plants, research costs (ie the element of R&D not capitalised).

The depreciation of £0.2m noted above is set out in detail in the Property, plant and equipment note in note 12, and reflects a full year (2018 - 43 week period) depreciation charge predominantly relating to plant, machinery, fixtures and fittings. The £1.2m charge for amortisation of its acquired intangible assets is set out in detail in note 15.

The impact of Covid-19 during the year is detailed within 'principal risks and uncertainties'.

# Xstrahl Group Holdings Limited

## Strategic report For the year ended 31 December 2019 (continued)

### Business review (continued)

#### Income Statement (continued)

Operating loss before financing charges is £1.9m (2018 - £3.4m). After adding back £1.2m of amortisation in respect of intangible assets, a normalised operating loss (2018 – profit) before these items amounts to £0.7m (2018 – £0.5m), as presented in the consolidated statement of comprehensive income on page 12.

The financing costs of £1.4m (2018 - £1.0m) include interest payable on vendor and non-vendor loan notes.

Group loss before tax can be reconciled to Group EBITDA before research costs (which the Group considers to be a more relevant measure of earnings) as follows:

EBITDA Reconciliation	2019	2018
	£	£
Loss before tax for the period	(3,252,160)	(4,461,737)
Add back depreciation	170,970	144,523
Add back amortisation of intangible assets	1,231,023	1,086,393
Add back amortisation of right-of-use assets	125,886	-
Add back release of acquisition date inventory fair value	-	1,892,867
Add back net finance costs	1,356,608	1,041,992
(Less)/Add back Foreign Exchange (Gains) & Losses	245,646	(111,650)
Less Stock impairment	-	(23,993)
Add back exceptional items	-	936,461
<b>Group EBITDA before highlighted items</b>	<b>(122,027)</b>	<b>504,856</b>

#### Cashflow

Cash at bank at 31 December 2019 is £0.3m (2018 - £1.3m). During the year, £0.2m (2018 - £0.8m) was generated from operating activities, and overall, net cash flows from operating activities (after tax payments) was £0.1m (2018 - £0.3m). Net cash used in investing activities during the year was £0.7m (2018 - £7.0m). Net cash outflow from financing activities during the year was £0.5m (2018 - £7.9m net cash inflow), predominantly relating to the issue of vendor and non-vendor loan notes in the prior period, as detailed in note 17.

#### Debt

The Group has no bank debt and no bank overdraft facility. There is long term debt in the form of two categories of loan notes, which total £17.7m. The terms of these loan notes are set out in note 17.

#### Future prospects

At the time of writing there is a strong pipeline of purchase orders supporting future sales. Xstrahl has been successful in increasing its presence in a number of territories, and a recent change in the law in Florida has positive implications for the RADiant product.

There are ongoing risks to the business from BREXIT, such as in supply and regulatory and these risks are being managed appropriately and specialist accounting advice is being taken in respect of minimising any export risks.

The Directors are pleased that the Company has adapted well to the new management and ownership structure and are confident in the long term future of the business.

# Xstrahl Group Holdings Limited

## Strategic report For the year ended 31 December 2019 (continued)

### Section 172 statement

Under Section 172(1) of the Companies Act 2006, a Director of a Company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long-term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the Company.

### Key Stakeholders

The Board considers its key stakeholders to be its employees, its customers, its suppliers, the community and environment in which it operates and its shareholders.

Stakeholder Group	Why we engage	Decisions we make with stakeholders in mind
<b>Employees</b>	<p>The Group's long-term future and success depends on the commitment of our people to the purpose and vision of the company.</p> <p>The Group is committed to engaging with our staff at every level of the business, to ensure that we are nurturing an environment within which each employee can grow, succeed, and prosper.</p> <p>Our workforce is our advantage through which we can meet the growing demands of the competitive sectors within which we trade.</p> <p>We believe it is of critical importance to have an inclusive employment policy that does not discriminate. Diversity reflects the customers we work with every day.</p>	<p>Throughout the year we hold regular Town Hall Meetings with all our employees. The purpose of these meetings is to update on our vision, values and our strategy.</p> <p>Our vision is to help eradicate cancer and our niche is the delivery of X-ray technology in healthcare and research.</p> <p>Supported by our values of being solution driven, enthusiastically helpful, tenacious and start-go-finish.</p> <p>By sharing important and regular communications with all of our team members we have contributed to confirming the strategic vision, our cultural values and the action plans needed to make it a success.</p> <p>Whilst we have always measured our employee satisfaction, in the coming weeks we plan to introduce a new staff survey to better measure how we engage with our staff, in particular to discover what we do well and what we need to improve upon.</p>

# Xstrahl Group Holdings Limited

## Strategic report For the year ended 31 December 2019 (continued)

### Section 172 statement (continued)

Stakeholder Group	Why we engage	Decisions we make with stakeholders in mind
<b>Customers</b>	<p>The Group's engagement with its customers is fundamental to our success.</p> <p>Satisfied customers are our best promoters for our businesses.</p>	<p>This year we introduced a new role of Vice President of Customer Success and through this we reorganised our business and established an entirely new team structure focussed specifically on this area of the business.</p> <p>Measuring our customer's satisfaction is an essential metric of how well we run our business. We have post market surveillance required as part of our Quality Management System. In addition we engage with Key Opinion Leaders through our Medical Director</p>
<b>Suppliers</b>	<p>The Group's success depends on its suppliers delivering the right products, at the right price and the best quality.</p> <p>We also depend on a variety of highly skilled outsourced services such as insurance, marketing, legal, property, HR and other advisory services.</p> <p>We believe in long term trading relationships and are proud to have built up strong collaborations over many years with large numbers of our suppliers.</p> <p>We also believe where possible it is good to source locally and we try to do this in working where we can with supplies in the Midlands of the UK and in GA, USA</p>	<p>All key strategic supplier relationships are regularly reviewed and approved at Board level.</p> <p>We employ a materials controller at both our key sites who oversee procurement. This role ensures that we are able to communicate with all of our supplier base on a regular basis. These roles also ensure we can analyse, choose, and market products that meet the changing aspirations of our customers.</p> <p>During the mandatory COVID-19 closures the supplier relationships were tested. This support confirms why long-term supplier engagement is so essential.</p>
<b>Our communities and the environment within which we operate</b>	<p>Our facilities need to comply with local and national regulation such as health and safety and environmental laws.</p>	<p>Key decisions in relation to compliance with local health and safety and similar regulations are reported directly to the Board at every meeting.</p>
<b>Shareholders</b>	<p>Our engagement with our shareholders sets out to obtain investor buy-in to our strategic objectives and to explain the work we do to further them.</p> <p>Creating shareholder value by generating strong and sustainable earnings ensures we have investors that are interested in longer term investment in the Group.</p>	<p>The Board communicates with shareholders through regular Board Meetings. We also hold one-to-one Meetings with non-Director shareholders. Feedback from these one-to-one meetings is communicated back to the full Board.</p>

# **Xstrahl Group Holdings Limited**

**Strategic report**  
**For the year ended 31 December 2019 (continued)**

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## **Principal risks and uncertainties**

The Company has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk. Risks which the Company faces include price and product competition, loss of supply of product components, changes in the regulatory and legal environment, and foreign currency, credit and interest rate risks, which may increase due to global shortage of credit. The Company has a diversified range of customers and revenue streams and provides products and services that support essential public healthcare services.

There is an ongoing risk and uncertainty due to global Covid-19 pandemic. This has had serious effects on global travel, and the ability of service engineers to visit customers sites for installations, although the impact of this has been mitigated as much as is possible through the use of video technology and remote installations. Our Brownhills assembly plant and Suwannee facility have continued to operate as normal with appropriate safety measures in place.

## **Approval**

This Strategic Report was approved by the Board and signed on its behalf on

A handwritten signature in black ink, appearing to be 'P L Viner', with a long horizontal stroke extending to the right.

P L Viner  
**Director**

Date: 18 December 2020

# **Xstrahl Group Holdings Limited**

## **Directors' report For the year ended 31 December 2019**

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The directors present their report together with the audited financial statements for the year ended 31 December 2019.

### **Results and dividends**

The consolidated statement of comprehensive income is set out on page 12 and shows the loss for the year.

The directors do not recommend an ordinary dividend.

### **Research and development**

The Group invests in research and development in the United Kingdom and the United States through its main UK and US trading subsidiaries. During the year, the Group spent £684,241 (2018 - £243,066) on research and development, £140,522 of which was expensed to the income statement during the year (2018 - £243,066).

### **Financial instruments**

Xstrahl's financial risk management objectives and policies, including its exposure to financial risks, are set out in note 21 to the financial statements.

### **Going concern**

The Directors and management of the business have reviewed the Group's detailed forecast cash flows for the forthcoming twelve months from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process. These forecasts have been analysed in the light of the COVID-19 outbreak, subjected to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust.

As part of this assessment, the Directors performed a "reverse stress test" in order to model a scenario to identify the adequacy of the Group's cash resources as a whole to fund all of the various parts of the Group for the next twelve months. This scenario modelled the impact of a second wave of COVID-19 and assumed a large number of forecast and expected system sales did not occur. In performing this exercise, cash resources were more than adequate and there was no (three strike) breach of the Vendor Loan Note Covenants.

Whilst stress testing the business is important given the unprecedented nature of the events surrounding COVID-19, the Directors expect the Group to continue to meet its day-to-day working capital requirements from the cash flows generated by its trading activities, loan facilities as well as cash resources available to it throughout the three trading divisions should it be required. Accordingly, these financial statements have been prepared on the going concern basis.

### **Employment of disabled persons**

Xstrahl operates an Equal Opportunities policy, and is committed to the principles of equal opportunities. The Company believes that all employees and job applicants have the right to be protected from unfair treatment. The Company's objective is to provide a fair and equal working environment that is free from all forms of discrimination and harassment of any kind, including in respect of race, religion and belief, pregnancy and maternity, sex, marriage and civil partnership, disability, gender-reassignment, age and sexual orientation.

### **Employee involvement**

Xstrahl is committed to providing all its employees with regular briefings on the development of the business and key issues affecting staff. This is achieved in a number of ways, using both the IT systems, by email and through direct meetings and discussions.

Management convene regular staff meetings to update staff on the strategic and local development of the business. Normally, an essential part of these meetings is an open question and answer session where all employees are encouraged to raise any issues they may have for discussion.



# Xstrahl Group Holdings Limited

## Directors' report For the year ended 31 December 2019 (continued)

### Risk management

Xstrahl seeks to mitigate risk in all aspects of its operation. Primary risks and risk mitigation measures are summarised in the Strategic Report and detailed later in this report. In summary, many of the key areas of risk (strategic and ethical, management and key staff, clients and suppliers) are considered to be low; legal and compliance risks and accounting risks are considered to be low-to-moderate.

Xstrahl's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. These are monitored by the Board and were not considered to be significant at the balance sheet date. The Group's policies towards each of these individual financial risks are addressed in note 22

Overall, the Board considers that perceived risk within the business is well managed, although the Board continues to monitor the risk profile as the Group develops.

### Directors

The directors of the Company during the year were:

L O Johnson  
M J Simmonds (resigned 30 July 2020)  
A J Treverton  
A C Tulk  
P L Viner  
M S Sandhu (appointed 7 February 2019)  
J R Jenkins (appointed 30 July 2020)

Their interests in the ordinary share capital of the Company at 31 December 2019 were:

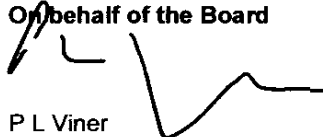
	Ordinary shares	A ordinary shares	B ordinary shares	C ordinary shares
L O Johnson	-	63,607	-	-
M J Simmonds	-	2,037	-	5,300
A J Treverton	10,977	-	3,534	-
A C Tulk	1,132	-	8,364	-
P L Viner	563	-	4,123	4,300
M S Sandhu	-	-	2,404	-
J R Jenkins	204	-	-	7,100

### Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



P L Viner  
Director

Date: 18 / 12 / 2020

## **Xstrahl Group Holdings Limited**

### **Directors' responsibilities statement For the year ended 31 December 2019**

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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 period. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of 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 they have been prepared in accordance with IFRSs as adopted by the European Union (for the Group), and United Kingdom Generally Accepted Accounting Practice (for the Company), subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Xstrahl Group Holdings Limited**

## **Independent auditor's report**

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### **TO MEMBERS OF XSTRAHL GROUP HOLDINGS LIMITED**

#### **Opinion**

We have audited the financial statements of Xstrahl Group Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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, 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 2 to the Group financial statements and Note 2 to the Parent Company financial statements, which outline the Directors' considerations in respect of going concern. Vendor Loan Notes of £6.5m are due for repayment on 8 March 2022, and no re-financing solution has yet been agreed.

As stated in Note 2 to the Group financial statements and Note 2 to the Parent Company financial statements, these events or conditions, along with other matters set out in Note 2 to the Group and Parent Company financial statements, indicate that material uncertainty exists which may cause 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.

# **Xstrahl Group Holdings Limited**

## **Independent auditor's report (continued)**

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept 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 Directors**

As explained more fully in the Directors Responsibilities Statement, 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 the 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.

# **Xstrahl Group Holdings Limited**

## **Independent auditor's report (*continued*)**

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### **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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Daniel Henwood*

*Daniel Henwood (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Reading  
United Kingdom*

Date 23 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Xstrahl Group Holdings Limited

## Consolidated statement of comprehensive income For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Revenue</b>	4	<b>11,187,265</b>	8,957,678
Cost of sales		<b>(4,881,586)</b>	(5,562,069)
<b>Gross profit</b>		<b>6,305,679</b>	3,395,609
Administrative expenses		<b>(8,201,231)</b>	(6,815,354)
<b>Operating (loss)/profit before release of acquisition date inventory fair value, amortisation and exceptional items</b>		<b>(538,643)</b>	495,976
Release of acquisition date inventory fair value (included in Cost of Sales)		-	(1,892,867)
Amortisation of intangible assets		<b>(1,231,023)</b>	(1,086,393)
Amortisation of right-of-use assets		<b>(125,886)</b>	-
Exceptional items		-	(936,461)
<b>Operating loss</b>	5	<b>(1,895,552)</b>	(3,419,745)
Finance expense	8	<b>(1,357,027)</b>	(1,044,120)
Finance income	8	<b>419</b>	2,128
<b>Loss on ordinary activities before tax</b>		<b>(3,252,160)</b>	(4,461,737)
Taxation on loss on ordinary activities	9	<b>(37,288)</b>	569,693
<b>Loss after tax</b>		<b>(3,289,448)</b>	(3,892,044)
Other comprehensive income:			
Translation differences arising on revaluation of Group entities in a different functional currency		<b>22,263</b>	460,810
Other comprehensive income, net of income taxes		<b>22,263</b>	460,810
<b>Total comprehensive loss</b>		<b>(3,267,185)</b>	(3,431,234)
Attributable to: Owners of the Company		<b>(3,267,185)</b>	(3,431,234)

The notes on pages 17 to 55 form part of these financial statements

# Xstrahl Group Holdings Limited

## Consolidated statement of financial position For the year ended 31 December 2019

	Note	2019 £	2018 £
<b>ASSETS</b>			
Inventories	10	2,388,372	2,975,109
Trade and other receivables	11	2,885,119	4,327,186
Cash and cash equivalents		348,730	1,287,916
<b>Total current assets</b>		<b>5,622,221</b>	8,590,211
Trade and other receivables	11	-	11,609
Property, plant and equipment	12	445,033	436,020
Right of use assets	13	658,175	-
Goodwill	14	2,475,395	2,538,449
Deferred tax asset	19	1,933	271,409
Other intangible assets	15	9,469,782	10,265,982
<b>Total non-current assets</b>		<b>13,050,318</b>	13,523,469
<b>Total assets</b>		<b>18,672,539</b>	22,113,680
<b>LIABILITIES AND EQUITY</b>			
Trade and other payables	16	4,675,444	6,274,322
Lease liabilities	13	104,587	-
<b>Total current liabilities</b>		<b>4,780,031</b>	6,274,322
Loans and borrowings	17	17,733,821	16,780,743
Lease liabilities	13	553,877	-
Provisions	18	85,983	48,439
Deferred tax liabilities	19	2,121,370	2,345,561
<b>Total non-current liabilities</b>		<b>20,495,051</b>	19,174,743
<b>Total liabilities</b>		<b>25,275,082</b>	25,449,065

# Xstrahl Group Holdings Limited

## Consolidated statement of financial position For the year ended 31 December 2019

		2019 £	2018 £
<b>Equity</b>			
Share capital	20	1,383	1,356
Share premium		94,493	94,493
Translation reserve		483,073	460,810
Retained earnings		(7,181,492)	(3,892,044)
<b>Total shareholders' deficit</b>		<b>(6,602,543)</b>	<b>(3,335,385)</b>
<b>Total liabilities and equity</b>		<b>18,672,539</b>	<b>22,113,680</b>

These financial statements were approved and authorised for issue by the board of directors on 18 December 2020 and were signed on their behalf by:



P L Viner  
Director

The notes on pages 17 to 55 form part of these financial statements



## Xstrahl Group Holdings Limited

### Consolidated statement of changes in equity For the year ended 31 December 2019

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Total shareholders' deficit £
Brought forward	1,356	94,493	460,810	(3,892,044)	(3,335,385)
Loss for the year	-	-	-	(3,289,448)	(3,289,448)
Other comprehensive income	-	-	22,263	-	22,263
<b>Total comprehensive loss for the financial year</b>	<b>1,356</b>	<b>94,493</b>	<b>483,073</b>	<b>(7,181,492)</b>	<b>(6,602,570)</b>
Share issues	27	-	-	-	27
<b>Total contributions by and distributions to owners</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Balance at 31 December 2019</b>	<b>1,383</b>	<b>94,493</b>	<b>483,073</b>	<b>(7,181,492)</b>	<b>(6,602,543)</b>

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Total shareholders' deficit £
Brought forward	-	-	-	-	-
Loss for the period	-	-	-	(3,892,044)	(3,892,044)
Other comprehensive income	-	-	460,810	-	460,810
<b>Total comprehensive loss for the financial period</b>	<b>-</b>	<b>-</b>	<b>460,810</b>	<b>(3,892,044)</b>	<b>(3,431,234)</b>
Issue of share capital on incorporation	10	-	-	-	10
Issue of share capital on acquisitions	96,380	-	-	-	96,380
Subsequent share issues	977	94,493	-	-	95,470
Repurchase of shares	(96,011)	-	-	-	(96,011)
<b>Total contributions by and distributions to owners</b>	<b>1,356</b>	<b>94,493</b>	<b>-</b>	<b>-</b>	<b>95,849</b>
<b>Balance at 31 December 2018</b>	<b>1,356</b>	<b>94,493</b>	<b>460,810</b>	<b>(3,892,044)</b>	<b>(3,335,385)</b>

The notes on pages 17 to 55 form part of these financial statements

# Xstrahl Group Holdings Limited

## Consolidated statement of cash flows For the year ended 31 December 2019

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Cash flows from operating activities</b>		
Loss for the year	(3,289,448)	(3,892,044)
<i>Adjustments to reconcile net income to cash flows from operating activities:</i>		
Depreciation of property, plant and equipment	170,970	144,523
Amortisation of intangible assets	1,231,022	1,086,393
Amortisation of right-of-use assets	125,886	
Finance income	(419)	(2,128)
Finance expense	1,357,027	1,044,120
Losses on sale of property, plant and equipment	-	6,854
Income tax expense	37,288	(569,693)
	<hr/>	<hr/>
Operating loss before changes in working capital and provisions	(367,674)	(2,181,975)
<b>Changes in assets and liabilities</b>		
Inventories	586,737	2,033,713
Trade and other receivables	1,769,015	360,626
Trade and other payables	(1,908,946)	596,780
Provisions	37,543	(27,471)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	116,675	781,673
	<hr/>	<hr/>
Income taxes paid	(74,862)	(441,273)
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	41,813	340,400
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary, net of cash acquired	-	(9,232,033)
Cash acquired with subsidiary	-	2,397,859
Purchases of property, plant and equipment	(185,642)	(138,763)
Purchases of intangible assets	(543,719)	-
Interest received	-	2,128
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(729,361)	(6,970,809)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	27	177,027
Repurchase of ordinary shares	-	(96,011)
Principal paid on lease liabilities	(125,584)	-
Interest paid on lease liabilities	(35,342)	-
Issue of loan notes	-	8,064,579
Interest paid on loans and borrowings	(333,265)	(268,117)
	<hr/>	<hr/>
<b>Net cash (used in)/from financing activities</b>	(494,164)	7,877,478
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	(1,181,712)	1,247,069
Cash and cash equivalents at the beginning of the year	1,287,916	-
Exchange losses on cash and cash equivalents	242,526	40,847
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	348,730	1,287,916
	<hr/>	<hr/>
The notes on pages 17 to 55 form part of these financial statements		

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019**

### **1 Basis of preparation**

The accompanying financial statements present the operations of the Company and have been prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and applied in accordance with the Companies Act 2006. The financial statements are prepared on the historical cost basis.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2.

The consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency.

Amounts are rounded to the nearest pound, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

#### ***Changes in accounting policies***

The Board has decided it will apply the modified retrospective approach in adopting IFRS 16, and therefore will recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate material impact to net assets on that date.

Instead of recognising an operating administrative expense for its operating lease payments, the Group has instead recognised interest on its lease liabilities through finance expense, and amortisation on its right-of-use assets through administrative expense.

#### ***New standards, interpretations and amendments not yet effective***

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

# **Xstrahl Group Holdings Limited**

**Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)**

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## **1 Basis of preparation (continued)**

Xstrahl Group Holdings Limited is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

### ***Other***

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group in years after 31 December 2019.

## **2 Accounting policies**

### ***Basis of consolidation***

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

### **2 Accounting policies (continued)**

#### **Revenue**

Revenue, which excludes value added tax and other sales taxes, represents the value of machine sales, which are recognised at a point in time; right of use software which is recognised at a point in time; service contracts, which are recognised on a straight line basis over time; partnership agreements, which are recognised on a straight line basis over time; and other sales, which are recognised at a point in time. Revenue is derived from sales in geographical territories as defined in note 4.

Amounts billed in advance of performance obligations being met are recognised as contract liabilities.

For direct machine sales to customers and machine sales made via distributors where the Group retains responsibility for installation, delivery of the machine and installation, the performance obligation is considered to be met at a point in time, once installation has been completed and control of the machine has been handed to the customer. Separate performance obligations include the provision of standard right of use software with the machine and standard training, which are also recognised after installation once control of the machine has been handed to the customer.

For machine sales made via distributors where the relevant Group company has no obligation for installation, the performance obligation is considered to have been met, based on the terms of each contract, generally once the machine has been despatched or arrives with the distributor.

For RADiant Partnership Agreements, each agreement represents a single performance obligation recognised over time, being the length of time the asset is leased to the customer.

For service contracts, each sale represents a single performance obligation recognised over time, as the service is provided.

Other sales predominantly relate to maintenance of customer machines, including labour and spare parts, as well as sales of additional functionality right of use software and specialist training. Revenue is recognised when the service or product is provided.

#### **Going concern**

The Directors and management of the business have reviewed the Group's detailed forecast cash flows for the forthcoming twelve months from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process. These forecasts have been analysed in the light of the COVID-19 outbreak, subjected to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust.

Whilst the sales have been reasonably strong since the balance sheet date, with cash well managed, even above original predictions, it is clear that the Coronavirus will add continued uncertainty to our business, has had an impact on the Xstrahl's ability to trade globally with travel restrictions potentially impacting on future trading prospects, particularly the uncertainty of predicting when our system sales will be secured, and when those sales will ship and be installed for our customers.

#### **Covid-19**

The Directors have carried out a detailed assessment of the potential risks and further ways in which outbreaks such as COVID-19 could impact the business.

## **Xstrahl Group Holdings Limited**

**Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)**

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### **2 Accounting policies (continued)**

#### ***Going concern (continued)***

For those working in our premises in Suwanee, Atlanta, USA, in Dusseldorf in Germany and in Brownhills in the West Midlands of the UK these risk assessments have guided the Group to introduce new operating plans which include physical distancing measures, additional cleaning procedures, revised operating procedures, staff training at all levels and the provision of easy to understand public information to minimise risk to customers and staff alike.

Equally for those not in our various offices, home working is the current norm. We feel our sales and installation teams, as well as our various other teams are adapting exceptionally well to working virtually. To date we are finding that provided we are inventive and continue to have an excellent culture where ideas are nurtured, our results are above expectations.

#### ***Impact on the future trading result of FY2021***

As part of this assessment, the directors performed a "reverse stress test" in order to model a scenario to identify the adequacy of the Group's cash resources as a whole to fund all of the various parts of the Group for the next 12 months. In the context of the Group as a whole this included the impact on the Group's various divisions. This scenario modelled the impact of a material sales shortfall.

This reverse stress test shows that the Group as a whole has adequate resources to continue to trade despite these material adjustments to gross profit and cash inflows.

Furthermore, until March 2021, the Group's Vendor Loan Note Holders have waived all existing covenant tests the Group's forecast show significant head room on the 'CFADS' (cash flow available for debt service) test throughout the forecast period to the end of December 2021.

Whilst stress testing the business is important given the unprecedented nature of the events surrounding COVID-19, the directors consider that the likelihood of such a reduction in income / cash inflow occurring sufficiently remote that it does not create a material uncertainty over the Group as a whole.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

### **2 Accounting policies (continued)**

#### ***Going concern (continued)***

##### *Impact on the future trading result of FY2021*

The success of the Company's plan could, if successful, mitigate the short to medium term impact of any cash shortfall. In addition, the Company would seek support from its landlords to reduce its fixed costs by introducing significantly reduced base rent we believe that this support would go some way to mitigate the longer-term risks to the Company. There would also be the possibility of short term supplier payment delays and delays to payments of social security and other tax payments.

The directors expect the Group will meet its day-to-day working capital requirements from the cash flows generated by its trading activities and cash resources available.

##### *Material Uncertainty*

The Vendor Loan Notes of £6.5m are due for repayment on 8 March 2022. Whilst the Directors are having early stage discussions on the various options available to refinance the loan notes, no re-financing solution has been agreed, and the Directors recognise the liquidity risk that this presents for the Group.

Therefore a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business. These financial statements do not include the adjustments that would be necessary should the Going Concern basis of preparation no longer be appropriate.

#### ***Property, plant and equipment***

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives to a residual value. It is provided at the following rates:

Leasehold property	- 20% Reducing balance
Motor vehicles	- 25% Straight line
Plant and machinery	- 25% Reducing balance
Plant and machinery for hire	- 14 - 33% Straight line
Fixtures and fittings	- 25% Reducing balance
Office equipment	- 25% Reducing balance
Computer equipment	- 33% - 50% Straight Line

#### ***Goodwill***

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. Direct costs of acquisition were recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### **Externally acquired intangible assets**

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangible assets are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The significant intangible assets recognised by the Group, their useful economic lives and the methods used to determine the cost of intangible assets acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Brand	10 years	Relief from Royalty ("RFR")
Contracts	1-5 years	Multi period excess earnings method ("MPEEM")
Customer relationships	10 years	Multi period excess earnings method ("MPEEM")

##### **Internally generated intangible assets (development costs)**

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably

Where capitalised development costs are being amortised, they are being amortised over the periods the Group expects to benefit from selling the products developed, which typically ranges from 2 to 5 years. The amortisation expense is included within the cost of sales line in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

As at 31 December 2019, £535,194 (2018 – nil) of internally developed product costs had been capitalised in the Statement of Financial Position.

##### **Impairment of non-financial assets (excluding inventories and deferred tax assets)**

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial period end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.



# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

### **2 Accounting policies (continued)**

#### ***Impairment of non-financial assets (excluding inventories and deferred tax assets) (continued)***

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

#### ***Inventories***

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

#### ***Foreign currency***

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in the Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

#### ***Financial assets***

The Group classifies its financial assets at amortised cost. The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

### **2 Accounting policies (continued)**

#### ***Financial assets (continued)***

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

#### ***Financial liabilities***

The Group classifies its financial liabilities as other financial liabilities. Other financial liabilities include the following items:

- Loans and borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### ***Deferred taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

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### **2 Accounting policies (continued)**

#### ***Deferred taxation (continued)***

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### ***Share capital***

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary, A ordinary, B ordinary and C ordinary shares are classified as equity instruments.

#### ***Borrowing costs***

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

#### ***Defined contribution pension schemes***

The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the period to which they relate, and represent the full extent of the Group's liability.

#### ***Leased assets***

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying 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 the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

### **2 Accounting policies (continued)**

#### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. 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 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 or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

Right-of-use assets and lease liabilities are presented directly on the face of the Statement of financial position.

#### **Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

#### **Provisions**

The Group has recognised a provision for liabilities of uncertain timing or amount in respect of warranty claims. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date and is not discounted.

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

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#### **3 Critical accounting estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Judgements*

- Revenue is recognised once the performance obligations of contracts with customers have been met, in line with IFRS15. Revenue is recognised based on the contract price - this may be at a point in time or over time according to when control passes to the customer. For machine sales for which the Group is providing installation services, machine delivery and installation are deemed to be one performance obligation and revenue is recognised when the installation has been completed and the machine handed to the customer. Separate performance obligations are deemed to include the provision of standard right of use software with the machine and standard training, which are also recognised once control of the machine has been handed to the customer.
- Determination is required as to whether the term of the lease is appropriate and the IBR (incremental borrowing rate) used in measuring the right of use asset and lease liability under IFRS 16. The probability of a lease extension will be reassessed along with any termination option that may be exercised.
- Determination is required as to whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset, and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Judgement is required as to the provision amounts to apply to spares and raw materials stock at the period-end date. Provisions made take into account the likelihood of final sale based on the individual products' position in the product life cycle.

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### *Estimates and assumptions*

- Inventories - £2.4m at 31 December 2019 (see note 10)

Where stock is manufactured, in respect of medical and research machines for sale, the cost includes all direct expenditure and a proportion of fixed and variable overheads. Management exercises judgement as to which overheads are directly or indirectly related to the production process and therefore should be included in the stock cost. The apportionment of overheads to stock cost involves an assessment of the volume of each product to be manufactured and the resulting time required.

- Property, plant and equipment - £0.4m at 31 December 2019 (see note 12)

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Other intangible assets - £9.5m at 31 December 2019 (see note 14)

The directors estimate the useful economic life other intangible assets based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the intangible asset is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. These factors are reviewed annually to ensure that there are no indicators of impairment. Where there is an indication of impairment, the recoverable amount is determined based on value in use calculations. This method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of cash flows.

### 4 Revenue

IFRS 15 Revenue from contracts with customers has been adopted from the date of incorporation. For the year ended 31 December 2019, revenue related to the following principal revenue streams and was derived from the following principal geographical markets:

Geographic Market	Machine sales £	RADiant Partnership £	Service contracts £	Other £	Total £
United Kingdom	1,005,000	-	679,429	7,432	1,691,861
USA	3,958,618	68,410	818,396	268,694	5,114,118
Russia	712,289	-	-	-	712,289
Europe – Other	1,880,098	-	520,640	637,483	3,038,221
Rest of the world	384,523	-	12,014	234,239	630,776
At 31 December 2019	<b>7,940,528</b>	<b>68,410</b>	<b>2,030,479</b>	<b>1,147,848</b>	<b>11,187,265</b>

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements**  
For the year ended 31 December 2019 *(continued)*

### 4 Revenue *(continued)*

	Machine sales £	Service contracts £	Other £	Total £
USA	2,883,134	416,218	462,714	3,762,066
Germany	1,260,173	135,053	100,585	1,495,811
United Kingdom	1,050,527	392,088	162,326	1,604,941
Sweden	324,809	-	17,616	342,425
Canada	213,956	8,360	-	222,316
Russia	274,205	-	93,454	367,659
Rest of the world	673,449	171,164	317,847	1,162,460
At 31 December 2018	<b>6,680,253</b>	<b>1,122,883</b>	<b>1,154,542</b>	<b>8,957,678</b>

Revenue is recognised at a point in time, except in respect of service contracts, and RADiant partnership agreements, which are recognised over time.

Of machine sales amounting to £7.9m (2018 – £6.7m), £6.2m (2018 - £5.7m) related to direct sales to end customers, and £1.7m (2018 - £1.0m) related to sales made through distributors.

### 5 Operating loss

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Depreciation of property, plant and equipment	170,970	144,523
Amortisation of intangible assets	1,231,023	1,086,393
Amortisation of right-of-use assets	125,886	-
Research and development costs	140,522	243,066
Foreign exchange (gain)/loss	245,646	(111,650)
Operating lease expense – property	-	184,379
Inventory recognised through the income statement	2,214,317	3,090,301
Auditor's remuneration – audit of financial statements	90,000	84,000
Auditor's remuneration – non audit services	64,044	98,285

### 6 Employees

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Employee benefit expenses (including directors) comprise:		
Wages and salaries	3,800,095	2,811,565
Social security costs	391,215	288,776
Expenses relating to pension plans and employee benefits	251,417	220,607
	<b>4,442,727</b>	<b>3,320,948</b>

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

### 6 Employees (continued)

#### *Key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 7 and the Chief Technology Officer.

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Salary	676,601	452,632
Expenses relating to pension plans and employee benefits	30,249	28,373
	<u>706,850</u>	<u>481,005</u>

The average number of employees (including executive directors) during the year was 65 (2018 – 59).

The employees were engaged in the following activities:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Employee numbers</b>		
Manufacturing and services	34	25
Sales and marketing	12	16
Research and development	10	9
Finance and administration	9	9
	<u>65</u>	<u>59</u>

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Directors emoluments</b>		
Salary	507,813	362,264
Expenses relating to pension plans and employee benefits	45,253	16,026
Fees	35,833	-
	<u>588,899</u>	<u>378,290</u>

Three (2018 – three) directors are members of a defined contribution scheme.



## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (*continued*)

#### 6 Employees (continued)

The aggregate of emoluments of the highest paid director was £264,187 (2018, 43 week period - £210,604). Company pension contributions of £7,377 (2018, 43 week period - £6,412) were made to a defined contribution pension scheme on his behalf.

#### 7 Segment information

The Group operates as a single reporting segment, being the principal activity of the Group.

#### 8 Finance income and expense

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest received on bank deposits	419	2,128
Interest expense on financial liabilities measured at amortised cost – loans and borrowings	(1,321,685)	(1,044,120)
Interest expense on lease liabilities	(35,342)	-
	<hr/>	<hr/>
Net finance expense recognised in profit or loss	(1,356,608)	(1,041,992)
	<hr/>	<hr/>

#### 9 Tax expense

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<i>Current tax expense</i>		
Current tax on losses for the period	(19,727)	35,470
Adjustments in respect of prior periods (current and Interco)	(41,132)	-
Adjustments in respect of prior periods (foreign tax)	32,791	-
US Federal and State taxes	-	350,212
Other current taxes	-	8,709
	<hr/>	<hr/>
Total current tax	(28,068)	394,391
<i>Deferred tax:</i>		
Origination and reversal of temporary differences (note 19)	65,356	(964,084)
	<hr/>	<hr/>
Total deferred tax	65,356	(964,084)
	<hr/>	<hr/>
	37,288	(569,693)
	<hr/>	<hr/>

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

#### 9 Tax expense (continued)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Loss on ordinary activities before tax	(3,252,160)	(4,461,737)
Tax using the Company's domestic tax rate of 19% (2018 - 19%)	(617,910)	(847,732)
<i>Effects of:</i>		
Fixed asset differences	365	-
Expenses not deductible for tax purposes	3,722	676,218
Additional deduction for R&D expenditure	(118,585)	-
Surrender of tax losses for R&D tax credit refund	6,123	-
Release of deferred tax liabilities arising on business combinations	-	(587,381)
Difference in overseas tax rates	31,810	-
Adjusting the deferred tax to the average rate	40,344	14,703
Adjustment to tax charge in respect of prior periods	(31,407)	-
Different rates applied in overseas jurisdictions	-	(22,715)
Deferred tax not recognised	722,826	197,214
Total tax expense for the year	37,288	(569,693)

#### *Changes in tax rates and factors affecting the future tax charge*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

The effects of changes to the corporation tax rates, substantively enacted as part of the Finance Act 2016 on 15 September 2016, included a reduction in the UK corporate tax rate to 17% effective 1 April 2020. Subsequent to the reporting date, on 11 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. This change was substantively on 17 March 2020.

Deferred tax assets and liabilities at the reporting date have been measured at the enacted tax rates that are expected to apply to the period when the asset is realised or the liability is realised.

#### 10 Inventories

	2019 £	2018 £
Raw materials and supplies	1,087,298	1,247,648
Work in progress	5,995	128,127
Finished goods and products held for resale	1,295,079	1,599,334
	2,388,372	2,975,109

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (*continued*)

### 11 Trade and other receivables

	2019 £	2018 £
Trade receivables from the sale of goods and services	2,278,232	3,567,231
Less: provision for impairment of trade receivables	(12,591)	(9,408)
Net trade receivables	2,265,641	3,557,823
Other receivables	35,330	15,223
<b>Total financial assets other than cash and cash equivalents classified as amortised cost</b>	<b>2,300,971</b>	<b>3,573,046</b>
Deposits	48,138	323,397
Prepayments	156,243	164,610
Accrued income	38,754	36,333
Value added tax	218,422	241,409
Corporation tax	122,591	-
<b>Total trade and other receivables</b>	<b>2,885,119</b>	<b>4,338,795</b>
Less: non-current portion	-	(11,609)
Current portion	2,885,119	4,327,186

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

Movements in the impairment allowance for trade receivables are as follows:

	2019 £	2018 £
Bought forward	9,408	-
Increase during the period	1,196	32,588
Receivable written off during the period as uncollectible	-	(3,274)
Unused amounts reversed	-	(20,311)
Foreign exchange movements	1,987	405
Impairment loss during the period	3,183	9,408
At 31 December 2019	12,591	9,408

# Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 *(continued)*

## 11 Trade and other receivables *(continued)*

The ageing of trade receivables and the associated impairment allowance is as follows:

	Gross 31 December 2019 £	Allowance 31 December 2019 £	Net 31 December 2019 £
Current	1,572,929	-	1,572,929
31 - 60 days overdue	348,849	-	348,849
61 - 90 days overdue	47,849	-	47,849
91 - 120 days overdue	184,714	-	184,714
120+ days overdue	123,891	(12,591)	111,300
	<u>2,278,232</u>	<u>(12,591)</u>	<u>2,265,641</u>
	Gross 31 December 2018 £	Allowance 31 December 2018 £	Net 31 December 2018 £
Current	1,054,117	-	1,054,117
30 days overdue	1,712,247	-	1,712,247
31 - 60 days overdue	460,480	-	460,480
61 - 90 days overdue	59,731	-	59,731
91 - 120 days overdue	103,562	-	103,562
120+ days overdue	177,094	(9,408)	167,686
	<u>3,567,231</u>	<u>(9,408)</u>	<u>3,557,823</u>

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)

12	Property, plant and equipment	Leasehold Property Improvements £	Motor Vehicles £	Plant and Machinery £	Plant and machinery For hire £	Fixtures and fittings £	Office equipment £	Total £
	<i>Cost</i>							
	At incorporation	-	-	-	-	-	-	-
	Acquired through business combinations	7,132	13,987	209,722	75,000	26,231	102,146	434,218
	Additions	-	27,837	37,555	-	2,979	70,392	138,763
	Disposals	-	(6,742)	-	-	-	(112)	(6,854)
	Foreign exchange movements	64	805	14,458	-	548	993	16,868
	At 31 December 2018	<b>7,196</b>	<b>35,887</b>	<b>261,735</b>	<b>75,000</b>	<b>29,758</b>	<b>173,419</b>	<b>582,995</b>
	<i>Accumulated depreciation</i>							
	At incorporation	-	-	-	-	-	-	-
	Charge for the year	1,821	12,626	48,753	32,177	6,694	42,452	144,523
	Foreign exchange movements	37	378	1,849	-	112	76	2,452
	At 31 December 2018	<b>1,858</b>	<b>13,004</b>	<b>50,602</b>	<b>32,177</b>	<b>6,806</b>	<b>42,528</b>	<b>146,975</b>
	<i>Net book value</i>							
	At 31 December 2018	<b>5,338</b>	<b>22,883</b>	<b>211,133</b>	<b>42,823</b>	<b>22,952</b>	<b>130,891</b>	<b>436,020</b>

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)

12 Property, plant and equipment (continued)	Leasehold Property Improvements £	Motor Vehicles £	Plant and Machinery £	Plant and machinery For hire £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>							
At 1 January 2019	7,196	35,887	261,735	75,000	29,758	173,419	582,995
Additions	13,994	-	26,409	55,252	7,974	85,104	188,734
Disposals	-	-	-	-	-	(129)	(129)
Foreign exchange movements	(499)	(1,555)	(6,701)	(1,858)	(483)	(1,667)	(12,764)
	<u>20,691</u>	<u>34,332</u>	<u>281,443</u>	<u>128,394</u>	<u>37,249</u>	<u>256,727</u>	<u>758,836</u>
At 31 December 2019							
<i>Accumulated depreciation</i>							
At 1 January 2019	1,858	13,004	50,602	32,177	6,806	42,528	146,975
Charge for the year	3,525	8,063	49,910	19,391	6,974	83,107	170,970
Disposals	-	-	-	-	-	(118)	(118)
Foreign exchange movements	(111)	(781)	(2,552)	-	(164)	(416)	(4,024)
	<u>5,272</u>	<u>20,286</u>	<u>97,960</u>	<u>51,568</u>	<u>13,616</u>	<u>125,101</u>	<u>313,803</u>
At 31 December 2019							
<i>Net book value</i>							
At 31 December 2019	<u>15,419</u>	<u>14,046</u>	<u>183,483</u>	<u>76,826</u>	<u>23,633</u>	<u>131,626</u>	<u>445,033</u>
At 31 December 2018	<u>5,338</u>	<u>22,883</u>	<u>211,133</u>	<u>42,823</u>	<u>22,952</u>	<u>130,891</u>	<u>436,020</u>

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (*continued*)**

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#### **13 Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether lease are onerous as opposed to preparing an impairment review under IAS 26 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The following policies apply subsequent to the date of initial application, 1 January 2019. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's regional incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. Whilst none of the Group's leases include variable lease payments, should this be applicable, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments, were they to be applicable, would be expensed in the period to which they relate. If applicable, on initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option and;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate.

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)**

### 13 Leases (continued)

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

#### **Nature of leasing activities (in the capacity as lessee)**

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The group also leases vehicles, comprising only fixed payments over the lease terms.

	<b>1 January 2019</b>
	<b>£</b>
Minimum operating lease commitment at 31 December 2018	711,237
Effect of extension options reasonably certain to be exercised	241,418
	<hr/>
Undiscounted lease payments	952,655
Less effect of discounting using incremental borrowing rate at initial application	(172,109)
	<hr/>
Lease liability at 1 January 2019	<b>780,546</b>
	<hr/>



## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

#### 13 Leases (continued)

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, The Group will consider whether the absence of a break clause exposes The Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- The length of the lease term;
- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for The Group.

At 31 December 2019 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on this date it was considered reasonably certain that The Group would not exercise its right to exercise any right to break the lease.

Right of use assets	Leasehold Property £	Motor Vehicles £	Total £
At 1 January 2019	-	-	-
Recognised on implementation	755,583	24,963	780,546
Additions	-	13,480	13,480
Amortisation	(110,639)	(15,248)	(125,887)
Foreign exchange movements	(9,737)	(227)	(9,964)
	<u>635,207</u>	<u>22,968</u>	<u>658,175</u>
At 31 December 2019	635,207	22,968	658,175

Lease liabilities	Leasehold Property £	Motor Vehicles £	Total £
At 1 January 2019	-	-	-
Recognised on implementation	755,583	24,963	780,546
Additions	-	13,480	13,480
Interest expense	33,421	1,921	35,342
Lease payments	(136,439)	(24,487)	(160,926)
Foreign exchange movements	(9,743)	(235)	(9,978)
	<u>642,822</u>	<u>15,642</u>	<u>658,464</u>
At 31 December 2019	642,822	15,642	658,464

	Less than 1 year £	Between 1 and 2 yrs £	Between 2 and 5 yrs	Over 5 yrs	Total £
Lease liabilities	104,587	83,889	269,789	200,199	658,464

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (*continued*)

### 14 Goodwill and impairment

	Total £
<i>Cost</i>	
At incorporation	-
Acquisition through business combinations – Phoenix Objectives Limited	1,766,649
Acquisition through business combinations – Xstrahl Group Limited	584,111
Foreign exchange movements – Phoenix Objectives Limited	187,689
	<hr/>
At 31 December 2018	<b>2,538,449</b>
	<hr/>
<i>Impairment</i>	
At incorporation	-
Impairment losses	-
Foreign exchange movements	-
	<hr/>
At 31 December 2018	-
	<hr/>
<i>Net book value</i>	
At 31 December 2018	<b>2,538,449</b>
	<hr/>
	<hr/>
	Total £
<i>Cost</i>	
At 1 January 2019	2,538,449
Foreign exchange movements	(63,054)
	<hr/>
At 31 December 2019	<b>2,475,395</b>
	<hr/>
<i>Impairment</i>	
At 1 January 2019	-
Impairment losses	-
Foreign exchange movements	-
	<hr/>
At 31 December 2019	-
	<hr/>
<i>Net book value</i>	
At 31 December 2019	<b>2,475,395</b>
	<hr/>
At 31 December 2018	2,538,449
	<hr/>

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (*continued*)

#### 14 Goodwill and impairment (continued)

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	Goodwill carrying amount	
	2019 £	2018 £
UK CGU	584,111	584,111
USA CGU	1,891,284	1,954,338
	2,475,395	2,538,449

The recoverable amounts of the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a three year period to 31 December 2022. Other major assumptions are as follows:

	UK CGU %	US CGU %
Discount rate	9.2%	11.6%
Growth rate years 4 and 5	2.0%	7.5%
Terminal growth rate	2.0%	2.0%

Operating margins have been based on past experience and future expectations in the light of anticipated economic market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating units. Growth rates beyond the first three years are based on economic data pertaining to the region concerned.

The recoverable amount of CGUs that hold the Group's overall goodwill balance are as follows:

- UK recoverable amount £30,479,541 exceeds the carrying amount by £22,675,744 and
- USA recoverable amount of \$13,708,534 exceeds the carrying amount by \$8,016,169.

#### *Sensitivity analysis:*

If the following changes were made to the above assumptions, the carrying amount and recoverable amount would be equal:

- Increase discount rate to 27% (UK CGU) and 19.6% (US GCU)
- Forecast profitability of the US CGU falls by 37% from forecast in 2022

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (*continued*)

### 15 Other intangible assets

	Brand £	Contracts £	Customer relationships £	Total £
<i>Cost</i>				
At incorporation	-	-	-	-
Acquired through business combinations	3,787,550	367,875	6,920,463	11,075,888
Foreign exchange movements	103,806	5,044	182,161	291,011
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	<b>3,891,356</b>	<b>372,919</b>	<b>7,102,624</b>	<b>11,366,899</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At incorporation	-	-	-	-
Charge for the period	312,799	202,318	571,276	1,086,393
Foreign exchange movements	4,906	1,008	8,610	14,524
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	<b>317,705</b>	<b>203,326</b>	<b>579,886</b>	<b>1,100,917</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2018	<b>3,573,651</b>	<b>169,593</b>	<b>6,522,738</b>	<b>10,265,982</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (*continued*)

### 15 Other intangible assets (continued)

	Brand £	Contracts £	Customer relationships £	Development Costs £	Total £
<i>Cost</i>					
At 1 January 2019	3,891,356	372,919	7,102,624	-	11,366,899
Additions	-	-	-	543,719	543,719
Foreign exchange movements	(45,100)	(2,191)	(79,142)	(8,525)	(134,958)
	<u>3,846,256</u>	<u>370,728</u>	<u>7,023,482</u>	<u>535,194</u>	<u>11,775,660</u>
<i>Amortisation and impairments</i>					
At 1 January 2019	317,705	203,326	579,886	-	1,100,917
Charge for the year	389,335	71,018	710,612	60,058	1,231,023
Foreign exchange movements	(8,391)	(1,204)	(14,726)	(1,741)	(26,062)
	<u>698,649</u>	<u>273,140</u>	<u>1,275,772</u>	<u>58,317</u>	<u>2,305,878</u>
<i>Net book value</i>					
At 31 December 2019	<u>3,147,607</u>	<u>97,588</u>	<u>5,747,710</u>	<u>476,877</u>	<u>9,469,782</u>
At 31 December 2018	<u>3,573,651</u>	<u>169,593</u>	<u>6,522,738</u>	<u>-</u>	<u>10,265,982</u>

Amortisation expense on intangible assets is included in administrative expenses.

Intangible assets acquired through business combinations arose during the period as a result of the acquisitions of Xstrahl Group Limited and Phoenix Objectives Limited.

# Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)

## 16 Trade and other payables

	2019 £	2018 £
Trade payables	733,576	1,163,822
Accruals	671,172	986,765
<b>Total financial liabilities, excluding loans and borrowings and lease liabilities, classified as financial liabilities measured at amortised cost</b>	<b>1,404,748</b>	<b>2,150,587</b>
Other payables – tax and social security payments	63,386	50,034
Other payables	21,904	88,825
Contract liabilities	3,152,093	3,855,597
Value added tax	16,116	55,347
Corporation tax payable	-	73,932
Other taxes payable	17,197	-
<b>Total trade and other payables</b>	<b>4,675,444</b>	<b>6,274,322</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Contract liabilities consist of amounts invoiced in advance of machines sale performance obligations being completed, customer deposits and amounts invoiced in advance of service contract performance obligations being completed. £3.1m (2018 – £1.1m) of revenue recognised in the year was included in the contract liability balance at the beginning of the period.

## 17 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	2019 Book value £	2019 Fair value £	2018 Book value £	2018 Fair value £
<i>Non-current</i>				
Non-vendor loan notes – principal	11,233,821	11,233,821	9,504,740	9,504,740
Non-vendor loan notes – accrued interest payable	-	-	776,003	776,003
Vendor loan notes – principal	6,500,000	6,500,000	6,500,000	6,500,000
	<b>17,733,821</b>	<b>17,733,821</b>	<b>16,780,743</b>	<b>16,780,743</b>

The Vendor Loan Notes are secured floating rate Loan Notes and are ordinarily repayable four years from the date of issue, being 8 March 2022. These notes incur interest which is paid quarterly, at LIBOR plus 450 basis points, this is increased to LIBOR plus 550 basis points in where the company does not comply with the required cashflow cover. All interest due on vendor loan notes to 31 December 2019 has been paid in full at that date. The vendor loan notes are secured by a fixed charge over the tangible fixed assets and intellectual property, and by a floating charge over all other assets.

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 *(continued)*

#### 17 Loans and borrowings (continued)

Following year end, in March 2020, the noteholders have agreed to defer the payment of the March 2020 and a portion of the June 2020 interest through to the repayment date of the instruments. The deferred interest balance will accrue interest at an additional 350 basis points. Furthermore, Noteholders have agreed to remove the requirement of the quarterly cashflow cover test for the periods ending 31 March, 30 June, 30 September and 31 December 2020.

The Management and Investor Loan Notes (Non Vendor Loan Notes) constitute £9,504,740 of 10% Fixed Rate Subordinated Unsecured Loan Notes and Payment in Kind Notes. Interest is calculated at the rate of 10% per annum and the Principal and interest compound annually on 31 December in each year, commencing 31 December 2019. The loan notes are repayable on the earlier of the date falling on the fifth anniversary of the date of the Instrument being 8 March 2023 or the date upon which a Sale or Listing occurs.

#### 18 Provisions

	<b>Warranties</b> £
At 1 January 2019	48,439
(Released) / accrued in the period	38,636
Foreign exchange movement	(1,092)
	<hr/>
At 31 December 2019	<b>85,983</b>
	<hr/>

##### *Warranties*

Warranties relate to products and services sold. See note 2 for further information concerning the Company's policy for estimating warranty provisions.

#### 19 Deferred tax

The movement on the deferred tax account is as shown below:

	<b>Deferred tax asset 2019 £</b>	<b>Deferred tax liability 2019 £</b>	<b>Deferred tax asset 2018 £</b>	<b>Deferred tax liability 2018 £</b>
At 1 January	271,409	(2,345,562)	-	-
Acquired with subsidiaries	-	-	-	(245,206)
Acquisition accounting	-	-	-	(2,734,400)
<i>Recognised in profit and loss</i>				
Deferred tax credit	(266,199)	200,841	271,409	692,675
Foreign exchange movement	(3,277)	23,351	-	(58,631)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	<b>1,933</b>	<b>(2,121,370)</b>	271,409	(2,345,562)
	<hr/>	<hr/>	<hr/>	<hr/>

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group and there is no intention for these entities to pay dividends, no tax is expected to be payable on them in the foreseeable future.

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

### 19 Deferred tax (continued)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below:

	Asset	Liability	Net	Charged/ credited to profit or loss Year ended	Charged/ credited to equity Year ended
	31 December 2019 £	31 December 2019 £	31 December 2019 £	31 December 2019 £	31 December 2019 £
Accelerated capital allowances	-	(157,746)	(157,746)	21,438	-
Other temporary and deductible differences	1,933	-	1,933	3,700	-
Different accounting basis for overseas subsidiaries	-	-	-	266,831	-
Group provision – future reversal	-	(302,784)	(302,784)	-	-
Business combinations	-	(1,660,840)	(1,660,840)	(246,685)	-
	<b>1,933</b>	<b>(2,121,370)</b>	<b>(2,119,437)</b>	<b>45,284</b>	<b>-</b>

	Asset	Liability	Net	Charged/ credited to profit or loss Period ended	Charged/ credited to equity Period ended
	31 December 2018 £	31 December 2018 £	31 December 2018 £	31 December 2018 £	31 December 2018 £
Accelerated capital allowances	-	(136,308)	(136,308)	(45,104)	-
Other temporary and deductible differences	4,578	1,055	5,633	4,225	-
Different accounting basis for overseas subsidiaries	266,831	-	266,831	417,582	-
Group provision – future reversal	-	(302,784)	(302,784)	-	-
Business combinations	-	(1,907,525)	(1,907,525)	587,381	-
	<b>271,409</b>	<b>(2,345,562)</b>	<b>(2,074,153)</b>	<b>964,084</b>	<b>-</b>

'Different accounting basis for overseas subsidiaries' is a temporary difference arising due to the different basis on which profit is recognised for US tax purposes within the Group's wholly owned US subsidiary.

'Group provision – future reversal' is a temporary difference arising as a result of historic write downs on group balances within an acquired subsidiary which, should they reverse in future periods, would give rise to a tax charge as a result of the corporate rescue provisions.



## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

#### 19 Deferred tax (continued)

A deferred tax asset has not been recognised for the following:

	2019 £	2018 £
Unused tax losses	<b>920,040</b>	197,214

#### 20 Share capital

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
13,985 ordinary shares of £0.01 each	<b>140</b>	140
81,463 A ordinary shares of £0.01 each	<b>814</b>	814
24,355 B ordinary shares of £0.01 each	<b>244</b>	217
18,500 C ordinary shares of £0.01 each	<b>185</b>	185
	<b>1,383</b>	1,356

The following describes the nature and purpose of each reserve within the equity:

Share type	Date	Number of shares issued	Amount shares issued for £	Share capital £	Share premium £
Ordinary	On incorporation	100	0.10	10	-
Ordinary	8 March 2018	14,548	1.00	14,548	-
A ordinary	8 March 2018	81,453	1.00	81,453	-
B ordinary	8 March 2018	19,438	0.01	194	-
C ordinary	8 March 2018	18,500	0.01	185	-
B ordinary	1 August 2018	2,238	0.01	22	-
Ordinary	27 September 2018	13,985	0.01	140	13,845
A ordinary	27 September 2018	81,463	0.01	815	80,648
B ordinary	6 February 2019	275	0.01	3	-
B ordinary	14 February 2019	2,404	0.01	24	-

On 8 March 2018, 100 ordinary shares of £0.10 each were re-designated as 100 A ordinary shares of £0.10 each.

On 8 March 2018, 100 A ordinary shares of £0.10 each were consolidated as 10 A ordinary shares of £1 each.

On 1 August 2018, 563 ordinary shares of £1 each were purchased by the Company for cancellation, and cancelled.

On 27 September 2018, 13,985 ordinary shares of £1 and 81,463 A ordinary shares of £1 each were purchased by the Company for cancellation, and cancelled.

On 6 February 2019, 275 B ordinary shares of £0.01 were issued.

On 14 February 2019, 2,404 B ordinary shares of £0.01 were issued.

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)

### 20 Share capital (continued)

#### *Voting rights*

Ordinary shares, B ordinary shares and C ordinary shares have the right to receive notice of and to attend, speak and vote (one vote per share) at all general meetings and to vote on written resolutions.

A ordinary shares have the right to receive notice of and to attend, speak and vote (one vote per share) at all general meetings and to vote on written resolutions. In the event a) that all or any part of the principal amount of any loan notes, or any interest thereon, has become due for repayment or payment and has not been paid in full (other than where the Company has available funds and maintains budgeted working capital immediately after making such payments but does not make such payments); b) default or potential default under the facilities agreement, the loan note instrument or any debenture of the Company or Group company; or c) of a breach of the equity covenants, then each holder, on becoming aware of such events and an investor majority having served notice upon the Company that additional votes are to be exercised, shall be entitled to exercise such number of votes for every A ordinary share of which it is the holder as shall confer upon the A ordinary shares 95% of the total voting rights of all shares so long as it does not have a material and disproportionately prejudicial effect on the rights attaching to the ordinary shares or B ordinary shares. These enhanced rights cease by: a) rectification to the reasonable satisfaction of an investor majority; or b) an investor majority serving notice on the Company stating that the rights shall cease. In the event of a material default (which shall not have been rectified) or a notice is given in writing by an investor majority acting reasonably that an occurrence which would constitute a material default is imminent and an investor majority considers that the Company requires additional capital support: a) an investor majority shall be entitled to convene a general meeting of the Company or to require the circulation of written resolutions of the Company for the purpose of considering a resolution or resolutions to approve the terms of any additional capital support for the Company (including a resolution to appoint additional directors); b) at any such meeting the quorum shall be qualifying persons holding not less than 75% in nominal value of the A ordinary shares. An investor majority shall have the right to determine the terms and timing of the additional capital support at their discretion and an investor majority shall be entitled to require that all new shares be issued to the investors and that the pre-emption rights of the other holders of ordinary, A ordinary, and C ordinary shares shall be deemed to be waived.

#### *Income*

Subject to investor approval, profits for distribution shall be applied amongst the holders of the ordinary shares, A ordinary shares and B ordinary shares (pari passu). C ordinary shares have no income rights.

#### *Capital*

Subject to conditions, in a liquidation, reduction of capital or a sale the surplus assets shall be allocated first to holders with ordinary, A ordinary and C ordinary shares in an amount equal to the subscription price (pro rata if insufficient sums).

### 21 Reserves

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Translation reserve	Gains / losses arising on retranslating the net assets of overseas operations into GBP

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements**  
For the year ended 31 December 2019 (*continued*)

### 22 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk,
- Interest rate risk,
- Foreign exchange risk,
- Other financial risks, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings

The following table presents the carrying amounts of each category of financial assets and liabilities.

	2019 £	2018 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	2,479,687	4,860,962
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	20,138,811	18,931,330

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost.

	Carrying value 2019 £	Carrying value 2018 £
<b>Financial assets measured at cost or amortised cost</b>		
Trade and other receivables	2,300,971	3,573,046
Cash and cash equivalents	348,728	1,287,916
	2,649,699	4,860,962

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)

### 22 Financial instruments – risk management (continued)

#### Financial liabilities measured at cost or amortised cost

Trade and other payables	1,404,748	2,150,587
Lease liabilities	658,464	-
Loans and borrowings – Principal	17,733,821	16,004,740
Loans and borrowings – Accrued interest payable	-	776,003
	<u>19,797,033</u>	<u>18,931,330</u>

The fair values of trade and other receivables, cash and cash equivalents, other current financial assets, trade and other payables and loans and borrowings approximate their carrying amount.

#### Objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

##### Credit risk

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 mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Group's customers are principally large commercial or public sector organisations that have low credit risk. Credit risk is recorded and monitored on an ongoing basis.

Concerning trade and other receivables that are neither impaired nor past due, there were no indications, as of December 2019, that defaults in payment obligations will occur.

The Group monitors credit risk under its credit risk policy where each customer is analysed for its credit risk. As suggested above, the Group's customers are typically highly established Cancer Research organisations or national hospitals, and contracts are often won via an Invitation to Tender. It is often the case that the full value, or a very significant per cent of the contract is paid before the products are shipped. Whilst the on-going income is of lower value than the original system purchase, the Group mitigates credit risk by ensuring payment is made in full prior to any annual service contract being operational. For parts and software upgrade sales, to mitigate the possibility of any credit risk, in certain cases parts are invoiced via pro-forma invoices. Purchase limits are also set for each customer which represents the maximum open amount without requiring approval from the Chief Finance Officer.

Trade receivables aging is reviewed weekly by the finance team, and by the Chief Finance Officer.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (*continued*)

#### 22 Financial instruments – risk management (*continued*)

##### *Interest rate risk*

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. Loans and borrowings include both fixed and variable rate borrowings, as follows:

	Fixed rate 2019 £	Variable rate 2019 £	Fixed rate 2018 £	Variable rate 2018 £
Cash and cash equivalents	-	348,728	-	1,287,916
Non-vendor loan notes	(11,233,821)	-	(9,504,740)	-
Vendor loan notes	-	(6,500,000)	-	(6,500,000)
	<u>(11,233,821)</u>	<u>(6,151,272)</u>	<u>(9,504,740)</u>	<u>(5,212,084)</u>

The Group has no external borrowings due to financial institutions.

During the period, the Group's borrowings at variable rate were denominated in Pounds Sterling.

The approximate impact on the statement of comprehensive income of a 1% p.a. fluctuation in interest rates would be £61,513 (2018 - £52,121).

##### *Foreign currency exchange rate risk*

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Whilst the Group is exposed to currency risks on purchases in both euros and dollars, there are natural hedges in place. The Group aims to fund expenses and any investments in the respective currency and to manage foreign exchange risk by matching the currency in which the revenue is generated and expenses are incurred. For this reason, whilst the Group monitors net exposures, it does not proactively use forward contracts to mitigate purchasing currency risks. The Group does have a proactive hedging policy in place which is principally to manage income receipts in euros and other non-sterling and non-dollar currencies received in to its UK trading entity. There were no open positions at 31 December 2019.

In order to monitor the continuing effectiveness of this policy, the Chief Financial Officer receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

The Company does not borrow or invest in foreign currencies on a speculative basis.

## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 *(continued)*

### 22 Financial instruments – risk management *(continued)*

As of 31 December 2019, the Group's net exposure to foreign exchange risk, analysed by functional currency of each entity, was as follows:

#### At 31 December 2019

	US Dollar	Euro	Swedish Krona	Other	Total
<b>Net foreign currency financial assets</b>					
- Thereof: Financial assets	1,301,484	507,622	187,810	948	1,997,864
- Thereof: Financial liabilities	(665,221)	(5,713)	-	-	(670,934)
<b>Total net exposure</b>	<b>636,263</b>	<b>501,908</b>	<b>187,810</b>	<b>948</b>	<b>1,326,929</b>
Change in future cash flows resulting from a 10% appreciation of GBP	63,626	50,191	18,781	95	132,693

#### At 31 December 2018

	US Dollar	Euro	Swedish Krona	Other	Total
<b>Net foreign currency financial assets/(liabilities)</b>					
- Thereof: Financial assets	2,933,585	846,838	462,456	300	4,243,179
- Thereof: Financial liabilities	(1,090,122)	(94,423)	-	(375)	(1,184,920)
<b>Total net exposure</b>	<b>1,843,463</b>	<b>752,415</b>	<b>462,456</b>	<b>(75)</b>	<b>3,058,259</b>
Change in future cash flows resulting from a 10% appreciation of GBP	184,346	75,242	46,246	(8)	305,826

## **Xstrahl Group Holdings Limited**

**Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 (continued)**

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### **22 Financial instruments – risk management (continued)**

#### *Other financial risks*

The Group does not hold any other strategic equity investments and is therefore not exposed to market price risk from this activity.

Market fluctuations may result in significant cash flow and profit volatility risk for Xstrahl Group Holdings Limited. Its worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates and interest rates. To optimise the allocation of the financial resources across the Company, as well as to secure an optimal return for its shareholder, the Company identifies, analyses and proactively manages the associated financial risks.

The Company seeks to manage and control these risks primarily through its regular operating and financing activities.

Management of financial risk is a key priority for the Group. As a member of the Company's management, the Chief Financial Officer takes specific responsibility for this part of the overall risk management system. At the highest level, the Directors retain ultimate accountability. For practical business purposes, the Directors delegate responsibilities to key management.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial 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.

Rolling 12-month cash flow projections are produced on a monthly basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to seek further funding.

The contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities are as follows:

- Trade and other payables of £1,058,086 are contractually payable within 3 months;
- Loans and borrowings, including the principal balance of £17,733,821 are contractually payable within 2 to 5 years.

#### *Capital management*

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to 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 Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the consolidated financial statements For the year ended 31 December 2019 (continued)**

#### **22 Financial instruments – risk management (continued)**

The Group monitors capital on the basis of the net debt to equity ratio. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

The Group's strategy is to preserve a strong cash base. The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The net debt position at 31 December 2019 was as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loans and borrowings – Principal	<b>17,733,821</b>	16,004,740
Loans and borrowings – Accrued interest payable	-	776,003
Less: cash and cash equivalents	<b>(348,728)</b>	(1,287,916)
	<hr/>	<hr/>
Net debt	<b>17,385,093</b>	15,492,827
	<hr/>	<hr/>

#### **23 Related party transactions**

During the period, the Group entered into the following related party transactions:

Risk Capital Partners LLP, a company in which L O Johnson has majority interest, is paid a quarterly monitoring fee of £17,500 (2018 - £17,500) plus VAT. During the year £70,000 (2018 - 57,000) was charged to the income statement for these services. At the period end no amounts due were unpaid

In addition, Risk Capital Partners LLP is due an arrangement fee of £220,000 in respect of their role in the acquisitions of the subsidiary companies at 8 March 2018. At the period end this amount remained unpaid.

The Group has a service contract in place with The Institute of Cancer Research. During the year, income of £7,729 (2018 - £703) was recognised through this agreement. At the period end no amounts were unpaid.

Loan notes with a carrying value of £9,504,740 were issued to significant influence shareholders and other key personnel in return for the purchase of shares in subsidiaries and for cash. Interest is payable at 10% per annum, capitalised into principal at 31 December annually. The breakdown of the beneficial ownership of the loan notes is as follows:



## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2019 *(continued)*

### 23 Related party transactions *(continued)*

	Loan note principal 2019 £	Interest accrued 2019 £	Loan note principal 2018 £	Interest accrued 2018 £
A J Treverton	1,284,400	-	1,086,708	88,723
A C Tulk	132,420	-	112,038	9,147
P L Viner	65,867	-	55,729	4,550
L O Johnson	7,442,692	-	6,297,132	514,122
B Redmond	714,871	-	604,840	49,381
M J Simmonds	238,233	-	201,565	16,457
J Jenkins	23,746	-	20,091	1,640
Risk Capital Partners LLP	1,112,127	-	940,951	76,823
T Kanesalingham	153,598	-	129,957	10,610
A Mullen	65,867	-	55,729	4,550
	<u>11,233,821</u>	<u>-</u>	<u>9,504,740</u>	<u>776,003</u>

In accordance with the loan note agreement, interest accrued on the loan note principal until 31 December 2019 when the accrued interest was compounded into the principal for the first time. Accrued interest will compound annually on 31 December each year going forward.

### 24 Ultimate controlling party

The ultimate controlling party is Mr L O Johnson.

### 25 Post balance sheet events

Subsequent to the balance sheet date, the COVID-19 outbreak has escalated to a global pandemic. The impact of this has been considered on the financial statements up to the date of signing. The impact on the going concern assessment has been considered and detailed in note 2, with further discussion of the steps being taken by the Group detailed in the strategic report. No further adjustments are deemed necessary as a result of this matter.

# Xstrahl Group Holdings Limited

## Company statement of financial position at 31 December 2019

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Investments	4	17,992,044	17,992,044
		<u>17,992,044</u>	<u>17,992,044</u>
<b>Current assets</b>			
Trade and other receivables	5	36,352	140,921
Cash and cash equivalents		26,353	2,426
		<u>62,705</u>	<u>143,347</u>
<b>Total assets</b>		<u>18,054,749</u>	<u>18,135,391</u>
<b>Current liabilities</b>			
Trade and other payables	6	2,961,916	3,390,404
<b>Net current liabilities</b>		<u>2,899,211</u>	<u>3,247,057</u>
<b>Non-current liabilities</b>			
Loans and borrowings	7	17,733,821	16,004,740
<b>Total liabilities</b>		<u>20,695,737</u>	<u>19,395,144</u>
<b>Net liabilities</b>		<u>2,640,988</u>	<u>1,259,753</u>

The notes on pages 59 to 64 form part of these financial statements

## Xstrahl Group Holdings Limited

### Company statement of financial position at 31 December 2019 (*continued*)

	Note	2019 £	2018 £
<b>Issued capital and reserves</b>			
Share capital	8	1,383	1,356
Share premium		94,493	94,493
Retained earnings		(2,736,864)	(1,355,602)
		<hr/>	<hr/>
<b>Total equity</b>		<b>(2,640,988)</b>	<b>(1,259,753)</b>
		<hr/>	<hr/>

In accordance with the exemption allowed in Section 408 of Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been prepared. The Company loss for the year is £1,381,262 (2018 - £1,355,602)



PL Viner  
Director

Date: 18 December 2020

The notes on pages 59 to 64 form part of these financial statements

## Xstrahl Group Holdings Limited

### Company statement of changes in equity For the year ended 31 December 2019

	Share capital £	Share premium £	Retained earnings £	Total £
Brought forward	1,356	94,493	(1,355,602)	(1,259,753)
Loss for the year	-	-	(1,381,262)	(1,381,262)
<b>Total comprehensive income for the financial year</b>	<b>1,356</b>	<b>94,493</b>	<b>(2,736,864)</b>	<b>(2,641,015)</b>
Share issues	27	-	-	27
<b>Total contributions by and distributions to owners</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Balance at 31 December 2019</b>	<b>1,383</b>	<b>94,493</b>	<b>(2,736,864)</b>	<b>(2,640,988)</b>
	Share capital £	Share premium £	Retained earnings £	Total £
Brought forward	-	-	-	-
Loss for the year	-	-	(1,355,602)	(1,355,602)
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>(1,355,602)</b>	<b>(1,355,602)</b>
Issue of share capital on incorporation	10	-	-	10
Issue of share capital on acquisitions	96,380	-	-	96,380
Subsequent share issues	977	94,493	-	95,470
Repurchase of shares	(96,011)	-	-	(96,011)
<b>Total contributions by and distributions to owners</b>	<b>1,356</b>	<b>94,493</b>	<b>-</b>	<b>95,849</b>
<b>Balance at 31 December 2018</b>	<b>1,356</b>	<b>94,493</b>	<b>(1,355,602)</b>	<b>(1,259,753)</b>

The notes on pages 59 to 64 form part of these financial statements

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the Company financial statements For the year ended 31 December 2019 (*continued*)**

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### **1 Basis of preparation**

Xstrahl Group Holdings Limited ("the Company") is a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the nature of the Company's principal activities are set out on page 1.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS102').

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the Parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the Parent company would be identical;
- No cash flow statement has been presented for the Parent company;
- Disclosures in respect of the Parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Parent company as their remuneration is included in the totals for the Group as a whole.

### **2 Accounting policies**

The following principal accounting policies have been applied:

#### *Going concern*

A detailed going concern memo has been produced for the Group which can be found in Note 2, from which the Company largely draws its going concern conclusions. The Company monitors its funding position and liquidity risk during the year to ensure it has access to sufficient funds to meet forecast cash requirements.

From a Company perspective, Xstrahl Group Holdings Ltd is reliant on a profitable trading group to allow it to pay its creditors and liabilities as they fall due. The Company's Vendor Loan Notes of £6.5m are due for repayment on 8 March 2022. Whilst the Directors are having early stage discussions on the various options available to refinance the loan notes, no re-financing solution has been agreed, and the Directors recognise the liquidity risk that this presents for the Group.

Therefore a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business. These financial statements do not include the adjustments that would be necessary should the Going Concern basis of preparation no longer be appropriate.

#### *Fixed asset investments*

Investments in subsidiaries are measured at cost less accumulated impairment.

#### *Financial assets*

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the Company financial statements For the year ended 31 December 2019 (continued)**

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#### **2 Accounting policies (continued)**

##### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's

contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

##### *Finance costs*

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount

##### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that an expense attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### *Pension costs*

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately from those of the Company in an independently administered fund.

##### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

# Xstrahl Group Holdings Limited

## Notes forming part of the Company financial statements For the year ended 31 December 2019 (*continued*)

### 3 Loss attributable to shareholders

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial period, of the Parent company, as approved by the Board, was £1,381,262.

### 4 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Estimates and assumptions*

- Impairment of investments (see note 5)

The directors estimate the expected carrying value of the investments it holds. This is reviewed annually to ensure that there are no indicators of impairments. When there is an indication of impairment, the recoverable amount is determined based on value in use calculations. This method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of cash flows.

### 5 Investments

	2019 £	2018 £
At 1 January	17,992,044	-
Additions	-	17,992,044
At 31 December	<u>17,992,044</u>	<u>17,992,044</u>

At 31 December 2019, the Company held share capital in the following subsidiaries:

Name	Country of incorporation	Nature of business	Proportion held
Xstrahl Group Limited	United Kingdom	Parent company	100%
Xstrahl Limited	United Kingdom	Trading company	100%
Oncotherapy Resources Limited	United Kingdom	Trading company	100%
Xstrahl GmbH	Germany	Trading company	100%
Gulmay Medical Limited	United Kingdom	Dormant	100%
Photelectric Therapy Limited	United Kingdom	Dormant	100%
Xstrahl Oncology Services Limited	United Kingdom	Dormant	100%
Phoenix Objectives Limited	United Kingdom	Parent company	100%
Xstrahl Inc.	USA	Trading	100%

The registered office address of all UK registered entities is The Coliseum, Building 3, Watchmoor Park, Riverside Way, Camberley, Surrey, GU15 3YL.

The registered office address of Xstrahl GmbH is Josef-Schappe-Str. 21, 40882, Ratingen, Deutschland.

The registered office address of Xstrahl Inc. is 480 Brogdon Road, Suite 300, Suwanee, GA, 30024 USA

# Xstrahl Group Holdings Limited

Notes forming part of the Company financial statements  
For the year ended 31 December 2019 (continued)

## 5 Investments (continued)

### Audit exemption

Xstrahl Group Holdings Limited has given statutory guarantees against all the outstanding liabilities of the wholly-owned non-dormant UK subsidiaries at 31 December 2019 under Section 479A of the Companies Act 2006, thereby allowing these subsidiaries to be exempt from the annual audit requirement for the year ended 31 December 2019.

Although the Company does not anticipate the guarantees to be called upon, the book values of the guaranteed liabilities, not including assets, excluding intragroup balances for each relevant subsidiary at 31 December 2019 are set out below:

Name	Company registration number	Liabilities to non-Group entities £
Xstrahl Group Limited	09763820	2,002,116
Xstrahl Limited	03105256	880,616
Oncotherapy Resources Limited	08019071	Nil
Phoenix Objectives Limited	05517894	51,560

6 Trade and other receivables	2019 £	2018 £
VAT	18,881	123,280
Other debtors and prepayments	17,471	17,641
	<u>36,352</u>	<u>140,921</u>

7 Trade and other payables	2019 £	2018 £
Trade payables	5,670	21,849
Amounts due to Group companies	2,658,338	2,298,312
Other creditors and accruals	297,908	1,070,243
	<u>2,961,916</u>	<u>3,390,404</u>

Other creditors and accruals includes £Nil (2018 - £776,003) in respect of accrued interest on non-vendor loan notes.



## Xstrahl Group Holdings Limited

Notes forming part of the Company financial statements  
For the year ended 31 December 2019 (*continued*)

### 8 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	2019 £	2018 £
<i>Non-current</i>		
Non-vendor loan notes	11,233,821	9,504,740
Vendor loan notes	6,500,000	6,500,000
	<hr/>	<hr/>
<b>Total loans and borrowings</b>	<b>17,733,821</b>	<b>16,004,740</b>
	<hr/>	<hr/>

### 9 Share capital

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
13,985 ordinary shares of £0.01 each	140	140
81,463 A ordinary shares of £0.01 each	814	814
24,355 B ordinary shares of £0.01 each	244	217
18,500 C ordinary shares of £0.01 each	185	185
	<hr/>	<hr/>
	<b>1,383</b>	<b>1,356</b>
	<hr/>	<hr/>

Details of shares issued by the Company in the year are given in note 20 of the consolidated financial statements.

### 10 Reserves

The following describes the nature and purpose of each reserve within the equity:

<b>Reserve</b>	<b>Description and purpose</b>
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### 11 Capital commitments

The Company had no capital commitments at 31 December 2019.

### 12 Contingent liabilities

The Company had no contingent liabilities at 31 December 2019.

### 13 Ultimate controlling party

The ultimate controlling party is Mr L O Johnson.