

# **Xstrahl Group Holdings Limited**

Annual report and Financial statements

Year ended

31 December 2020

Company Number 11155857

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# **Xstrahl Group Holdings Limited**

## **Annual report and financial statements For the year ended 31 December 2020**

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### **Contents**

1	Strategic report
5	Directors' report
7	Directors' responsibilities statement
8	Independent auditors' report
12	Consolidated statement of comprehensive income
13	Consolidated statement of financial position
15	Consolidated statement of changes in equity
16	<i>Consolidated statement of cash flows</i>
17	Notes forming part of the consolidated financial statements
51	Company statement of financial position
53	Company statement of changes in equity
54	Notes forming part of the Company financial statements

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### **Legal form**

Private limited company

### **Directors**

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

### **Registered office**

Unit 2, 20 Maybrook Road, Walsall Wood, Walsall WS8 7DG

### **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 2020**

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

### **Principal activities**

The Xstrahl Group of companies ("Xstrahl"), headed by Xstrahl Group Holdings Limited ("XGHL"), 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.

XGHL 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.

The company is headquartered in Britain and has a presence in the United States and Germany. The majority of its products are exported globally. Its customers are mainly hospitals and laboratories.

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

During 2020, the Company built on its successful launch of 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 sold into the European market following the early interest and success in the United States.

In March 2020, the group started to be impacted by Covid-19. Decisions were taken at this point to review the headcount and to permanently reduce wage costs. We were also able to utilize the various government incentives across our three key geographies. The group's order book in all system categories remained healthy despite the pandemic, and we found that our sales personnel were able to adjust very well to working virtually.

Fortunately, hospital and university budgets were not cut as we originally feared might be the case and as a result the majority of our Brownhills production team were able to continue working to produce systems for stock and for sale, albeit with the necessary safeguarding measures in place. On the service side of things, collaborations were made with local distributors and through enlarging our network here we were able to fulfill our installation and maintenance obligations.

Travel costs fell during the period as our teams worked from home or were on furlough. A change took place to the marketing strategy to online events, saving considerable money on in person exhibitions. Furthermore, an agreement was made with the Landlord in Camberley to exit our lease; as a result, all the Group's UK affairs were moved to one site in Brownhills, in the West Midlands. In terms of cashflow, whilst the group took certain steps in early March to manage cash more prudently, this need to exercise extreme caution was relatively short lived.

The CIXD cabinet design project, part funded with a grant from Innovate UK, will enable Xstrahl to place a unique product on the market. Designed to replace radioactive sources such as caesium, the CIXD will be a high power irradiator for use within cancer research. Its unique selling point will be based around the dosimetry of the two X-ray beams, configured to mimic that currently only achieved with active sources.

### **Business review**

The financial statements cover the year to 31 December 2020.

#### *Income Statement*

Revenue during the period was £11.4m (2019 - £11.2m). The Group's predominant markets are in the US, UK and Eastern Europe. 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 £5.1m (2019 - £4.9m) reflects both the cost of system parts and freight charges, as well as other direct cost of sales.

# Xstrahl Group Holdings Limited

## Strategic report For the year ended 31 December 2020 (continued)

### Business review (continued)

#### Income Statement (continued)

Administrative expenses of £7.2m (2019 - £8.2m) include £1.3m (2019 - £1.2m) in respect of the amortisation of intangible assets, £0.2m (2019 - £0.2m) of depreciation and £0.1m of amortisation of right-of-use assets (2019 - £0.1m). A further £5.4m (2019 - £6.8m) of administrative expenses arise 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 that do not meet the criteria for capitalisation.

This £1.0m decrease from the prior year represents both temporary and permanent cost savings. Travel costs fell in the year by around 50%. Wages decreased by £1.0m as a result of a lower number of heads and the offset of the UK furlough grants. Marketing costs fell by just 10%, but this also reflects a material uptick in activity levels and an outsourcing of our entire marketing function. R&D costs lowered during the period as we took prudent steps to temporarily reduce this investment in the light of the initially unquantifiable impact of Covid-19.

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 (2019 - full year) depreciation charge predominantly relating to plant, machinery, fixtures and fittings. The £1.3m 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'.

Finance expense of £1.5m (2019 - £1.4m) predominantly arises on 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	Note	2020	2019
		£'000	£,000
Loss before tax for the period		(2,016)	(3,253)
Depreciation	12	184	171
Amortisation of intangible assets	15	1,300	1,231
Amortisation of right-of-use assets	13	122	126
Net finance costs	8	1,494	1,357
Foreign exchange losses		103	246
<b>Group EBITDA</b>		<b>1,187</b>	<b>(122)</b>

#### Cash flow

Cash at bank at 31 December 2020 is £1.7m (2019 - £0.3m). During the year, £2.0m (2019 - £0.04m) was generated from operating activities. Net cash used in investing activities during the year was £0.4m (2019 - £0.7m). Net cash outflow from financing activities during the year was £0.3m (2019 - £0.5m).

Cash flow has improved in the period as a result of a number of factors – firstly a cash generative EBITDA, secondly the receipt of government support and thirdly the acceleration of cash receipts on our trade debtor book.

Following the balance sheet date, the company continues to take advantage of Government incentives in the territories in which it operates.

# Xstrahl Group Holdings Limited

## Strategic report For the year ended 31 December 2020 (continued)

### Business review (continued)

#### Income Statement (continued)

#### 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 £18.9m (2019 - £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.

In general here, we are now investing more resource in to our clinical marketing – this supports all our radiotherapy lines – for both benign and non-benign conditions and also to the Dermatological Community in the US, and elsewhere.

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 confident in the long term future of the business.

### 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:

Risk factor	Potential Impact	Mitigation Taken
Price and product competition	Loss of market share	Continually evolve products to suit the market and maximise competitive advantage
Loss of supply of product components	Delays in manufacturing process	Avoid single point of failure risk in the supply chain
Foreign currency, credit and interest rate risks (considered in more detail in note 22)	Decreasing asset value and potential increased cash flow outgoing on loans and borrowings	Hedge FX where applicable, monitor interest rates and renegotiate loans if required
Failure to acquire / develop new technology	Loss of competitive advantage and/or market share	Invest in Research and Development to ensure we maintain 'cutting edge' product technology
Failure to comply with complex regulatory frameworks	Loss of accreditation	Engage with Medical Director with significant Q&R background, invest as required to ensure all regulatory requirements are met and maintained
Brexit risk following the UK's exit from the EU on 31 January 2020	Increased freight charges, difficulty importing and exporting materials and products	Ship items complete wherever possible to minimise freight, build 'leeway' into timing plans for imports / exports
Supply chain risk as a result of the Covid-19 pandemic	Delays in manufacturing process	Seek alternative suppliers for all key materials and products, particularly from 'red' Covid countries.

# **Xstrahl Group Holdings Limited**

**Strategic report**  
**For the year ended 31 December 2020 (*continued*)**

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## **Principal risks and uncertainties (*continued*)**

There continues to be an ongoing risk to Xstrahl due to Covid-19, albeit the risk to the business is considerably smaller than it has been over the last 18 months. 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 continue 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



**P L Viner**  
**Director**

Date: 13 September 2021

# **Xstrahl Group Holdings Limited**

## **Directors' report For the year ended 31 December 2020**

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The directors present their report together with the audited financial statements for the year ended 31 December 2020.

### **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 £559,798 (2019 - £684,241) on research and development, £257,809 of which was expensed to the income statement during the year (2019 - £140,522).

### **Financial instruments**

Xstrahl's financial risk management objectives and policies, including its exposure to financial risks, are set out in note 22 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, 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 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 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. Further details are included in note 2 to the consolidated financial statements.

### **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 monthly 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 2020 (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. 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 (resigned 24 March 2021)  
J R Jenkins (appointed 30 July 2020)

Their interests in the ordinary share capital of the Company at 31 December 2020 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



13 September 2021

P L Viner  
Director



# **Xstrahl Group Holdings Limited**

## **Directors' responsibilities statement For the year ended 31 December 2020**

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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 accounting standards in conformity with the requirements of the Companies Act 2006, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 (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; and
- 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 on the financial statements**

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

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 2020 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 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remain 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.

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

# **Xstrahl Group Holdings Limited**

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

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### **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. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

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

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

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

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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included:

- obtaining an understanding of the legal and regulatory framework that the Group operates in, focussing on those laws and regulations that had a significant effect on the consolidated financial statements or that had a fundamental effect on the operations of the Group, namely:
  - Companies Act 2006;
  - International accounting standards (Group)
  - United Kingdom Generally Accepted Accounting Practice (Parent company);
  - ISO Quality standards; and
  - Relevant tax legislation.
- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - challenging assumptions made by management in their significant accounting estimates.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Identifying and testing journal entries, in particular those journal entries considered most susceptible to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

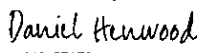
## Xstrahl Group Holdings Limited

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

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#### 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.

DocuSigned by:  
  
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Daniel Henwood (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading  
United Kingdom

Date 14 September 2021

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 2020

	Note	2020 £'000	2019 £'000
<b>Revenue</b>	4	<b>11,372</b>	11,187
Cost of sales		<u>(5,104)</u>	<u>(4,882)</u>
<b>Gross profit</b>		<b>6,268</b>	6,305
Administrative expenses		<b>(7,150)</b>	(8,201)
Other operating income	5	<u>360</u>	<u>-</u>
<b>Operating loss</b>	5	<b>(522)</b>	(1,896)
Finance expense	8	<u>(1,494)</u>	<u>(1,357)</u>
<b>Loss on ordinary activities before tax</b>		<b>(2,016)</b>	(3,253)
Taxation credit/(expense) on loss on ordinary activities	9	<u>64</u>	<u>(37)</u>
<b>Loss after tax</b>		<b>(1,952)</b>	(3,290)
Other comprehensive income:			
Translation differences arising on revaluation of Group entities in a different functional currency		<u>(17)</u>	<u>22</u>
Other comprehensive income, net of income taxes		<u>(17)</u>	<u>22</u>
<b>Total comprehensive loss</b>		<b>(1,969)</b>	(3,268)
Attributable to: Owners of the Company		<u>(1,969)</u>	<u>(3,268)</u>

The notes on pages 17 to 50 form part of these financial statements.

# Xstrahl Group Holdings Limited

## Consolidated statement of financial position For the year ended 31 December 2020


	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
Inventories	10	2,287	2,388
Trade and other receivables	11	3,058	2,885
Cash and cash equivalents		1,731	349
		<hr/>	<hr/>
<b>Total current assets</b>		<b>7,076</b>	<b>5,622</b>
		<hr/>	<hr/>
Property, plant and equipment	12	307	445
Right of use assets	13	531	658
Goodwill	14	2,420	2,475
Other intangible assets	15	8,404	9,470
Deferred tax asset	19	4	2
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>11,666</b>	<b>13,050</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>18,742</b>	<b>18,672</b>
		<hr/>	<hr/>
<b>LIABILITIES AND EQUITY</b>			
Trade and other payables	16	5,812	4,675
Provisions	18	107	-
Lease liabilities	13	88	105
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>6,007</b>	<b>4,780</b>
		<hr/>	<hr/>
Loans and borrowings	17	18,857	17,734
Lease liabilities	13	465	554
Provisions	18	9	86
Deferred tax liabilities	19	1,976	2,121
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>21,307</b>	<b>20,495</b>
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>27,314</b>	<b>25,275</b>
		<hr/>	<hr/>

## Xstrahl Group Holdings Limited

### Consolidated statement of financial position For the year ended 31 December 2020

		2020 £'000	2019 £'000
<b>Equity</b>			
Share capital	20	1	1
Share premium		94	94
Translation reserve		466	483
Retained deficit		(9,133)	(7,181)
		<hr/>	<hr/>
<b>Total shareholders' deficit</b>		<b>(8,572)</b>	<b>(6,603)</b>
		<hr/>	<hr/>
<b>Total liabilities and equity</b>		<b>18,742</b>	<b>18,672</b>
		<hr/>	<hr/>

These financial statements were approved and authorised for issue by the board of directors on 13 September 2021 and were signed on their behalf by:



P L Viner  
Director

The notes on pages 17 to 50 form part of these financial statements



## Xstrahl Group Holdings Limited

### Consolidated statement of changes in equity For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Translation reserve £'000	Retained deficit £'000	Total shareholders' deficit £'000
At 1 January 2020	1	94	483	(7,181)	(6,603)
Loss for the year	-	-	-	(1,952)	(1,952)
Other comprehensive income	-	-	(17)	-	(17)
<b>Total comprehensive loss for the financial year</b>	-	-	(17)	(1,952)	(1,969)
<b>At 31 December 2020</b>	<b>1</b>	<b>94</b>	<b>466</b>	<b>(9,133)</b>	<b>(8,572)</b>

Changes in equity during the year ended 31 December 2020 included a share buyback totalling £11. Further details are provided in note 20.

	Share capital £'000	Share premium £'000	Translation reserve £'000	Retained deficit £'000	Total shareholders' deficit £'000
At 1 January 2019	1	94	461	(3,892)	(3,335)
Loss for the year	-	-	-	(3,289)	(3,289)
Other comprehensive income	-	-	22	-	22
<b>Total comprehensive loss for the financial year</b>	-	-	22	(3,289)	(3,267)
<b>Balance at 31 December 2019</b>	<b>1</b>	<b>94</b>	<b>483</b>	<b>(7,181)</b>	<b>(6,603)</b>

Changes in equity during the year ended 31 December 2019 included a share issue totalling £27. Further details are provided in note 20.

The notes on pages 17 to 50 form part of these financial statements

# Xstrahl Group Holdings Limited

## Consolidated statement of cash flows For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(1,952)	(3,290)
<i>Adjustments to reconcile net income to cash flows from operating activities:</i>			
Depreciation of property, plant and equipment	12	184	171
Amortisation of intangible assets	15	1,301	1,231
Amortisation of right-of-use assets	13	122	126
Finance expense	8	1,494	1,357
Losses on sale of property, plant and equipment	12	47	-
Income tax (credit)/expense		(64)	37
		<hr/>	<hr/>
Operating profit /(loss) before changes in working capital and provisions		1,132	(368)
<b>Changes in assets and liabilities</b>			
Inventories		101	587
Trade and other receivables		(316)	1,769
Trade and other payables		1,026	(1,909)
Provisions		30	38
		<hr/>	<hr/>
<b>Cash generated from operations</b>		1,973	117
Interest paid		(1)	-
Income tax refund received/(paid)		57	(75)
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		2,029	42
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	12	(96)	(186)
Purchases of intangible assets	15	(307)	(544)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(403)	(730)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Principal paid on lease liabilities	13	(100)	(126)
Interest paid on lease liabilities	13	(38)	(35)
Interest paid on loans and borrowings		(200)	(333)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		(338)	(494)
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		1,288	(1,182)
Cash and cash equivalents at the beginning of the year		349	1,288
Exchange losses on cash and cash equivalents		94	243
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		1,731	349
		<hr/>	<hr/>

The notes on pages 17 to 50 form part of these financial statements

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020**

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### **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 accounting standards in conformity with the requirements of 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. All amounts are rounded the nearest thousand (£'000) unless otherwise stated.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The UK's departure from the European Union at 11pm on 31 December 2020 requires the Group to apply frozen IFRS standards as at the balance sheet date, in accordance with The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019

The preparation of financial statements international accounting standards in conformity with the requirements of the Companies Act 2006 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 group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

In subsequent years, the Group expects to apply UK-adopted international accounting standards. The Group is not aware of any other standards issued, but not yet effective, that will have a material impact on the Group in years after 31 December 2020.

### **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:

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

#### ***Basis of consolidation (continued)***

- 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.

#### ***Going concern***

The group made a loss before tax for the year of £2.0m (2019 - £3.3m), at the year end held cash balances of £1.7m (2019 - £0.3m) and had net liabilities of £8.6m (2019 - £6.6m). 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 subjected to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust.

Sales have been strong since the balance sheet date, with cash well managed, and, as explained below, it is clear that the impact of Coronavirus will continue to have a relatively minimal impact on the business although the situation will be continually monitored and reviewed as required. Ongoing travel restrictions will affect the engineers ability to install and service systems, however this has been mitigated with increased use of remote training and installations.

#### ***Covid-19***

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

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 business has shown a strong resilience with our original budget in fact being exceeded in 2020.

#### ***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 would have adequate resources to continue to trade even in the event of these material adjustments to gross profit and cash inflows, with no (three strike) breach of the Vendor loan note covenants expected in any reasonable scenario.

The success of the Company's plan would be expected to mitigate the short to medium term impact of any cash shortfall.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

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

##### ***Financing***

The terms of the Company's Vendor loan notes, which amounted to £6.5m at the balance sheet date, repayable on 8 March 2022, have been renegotiated subsequent to the balance sheet date, as further detailed in note 17 to the consolidated financial statements. As at the date of approval of the financial statements, Vendor loan notes amounting to £5.825m are repayable on 8 March 2023, along with £12.4m of Non-vendor loan notes. Whilst the Directors are having early stage discussions on the various options available to refinance the loan notes past 8 March 2023, and expect to be able to successfully refinance the Company's debt at that date, no re-financing solution has yet been agreed, and the Directors recognise the liquidity risk that this presents for the Group.

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. As a result of the above the directors consider it appropriate to prepare the financial statements on the going concern basis.

##### ***Revenue***

Revenue, which excludes value added tax and other sales taxes, is earned from the sale of the following goods and services:

- Machine sales direct to customers
- Machine sales made via distributors (both with and without the Group retaining responsibility for installation)
- RADiant Partnership Agreements
- Service contracts
- Maintenance of customer machines

Revenue is derived from sales in geographical territories as defined in note 4.

For direct machine sales to customers where the Group retains responsibility for 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, the performance obligation is considered to have been met, based on the terms of each contract, either once the machine has been despatched or arrives with the distributor, or, where the Group retains responsibility for delivery of the machine and installation, once installation has been completed.

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.

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (*continued*)

### 2 Accounting policies (continued)

#### **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

#### **Current Income Tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the statement of comprehensive income.

#### **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.

#### **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")

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

#### ***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 within Administration expenses in the consolidated statement of comprehensive income as incurred.

As at 31 December 2020, £829,000 (2019 – £535,000) 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.

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.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

#### ***Foreign currency (continued)***

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.

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.

#### ***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 are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.



# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

#### ***Deferred Tax***

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.

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.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

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

For any contracts entered into, 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 has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the 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 incremental borrowing rate in the relevant jurisdiction.

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 re-measured 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 2020 (*continued*)

### 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*

- Determination has been applied to the impact of the Covid-19 pandemic and its potential effect on the future forecasts of the business with respect to going concern considerations. Forecasts are updated and reviewed continually with specific thought given to the sales pipeline, people costs, overhead trends, working capital and cash flow. Management has determined that the pandemic has not had, and will not have, any significant detrimental impact on the business performance in the foreseeable future.
- 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. Additional judgement has been made on the potential impact of the ongoing Covid19 pandemic to business performance and future cash flows, and management has determined that there is no significant detrimental impact.
- 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.

#### *Estimates and assumptions*

- Inventories - £2.3m at 31 December 2020 (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 - £0.3m at 31 December 2020 (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 - £8.4m at 31 December 2020 (see note 15)

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.

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements**  
For the year ended 31 December 2020 (*continued*)

### 4 Revenue

For the year ended 31 December 2020, revenue related to the following principal revenue streams and was derived from the following principal geographical markets:

Geographic Market	Machine sales £'000	RADiant Partnership £'000	Service contracts £'000	Other £'000	Total £'000
United Kingdom	1,028	-	565	289	1,882
USA	1,323	150	792	499	2,764
Eastern Europe	1,646	-	-	53	1,699
Europe – Other	1,631	-	439	334	2,404
Rest of the world	2,474	-	37	112	2,623
<b>At 31 December 2020</b>	<b>8,102</b>	<b>150</b>	<b>1,833</b>	<b>1,287</b>	<b>11,372</b>

Geographic Market	Machine sales £'000	RADiant Partnership £'000	Service contracts £'000	Other £'000	Total £'000
United Kingdom	1,005	-	679	7	1,691
USA	3,959	68	818	270	5,115
Eastern Europe	712	-	-	-	712
Europe – Other	1,880	-	521	637	3,038
Rest of the world	385	-	12	234	631
<b>At 31 December 2019</b>	<b>7,941</b>	<b>68</b>	<b>2,030</b>	<b>1,148</b>	<b>11,187</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 £8.1m (2019 – £7.9m), £3.2m (2019 - £6.2m) related to direct sales to end customers, and £4.9m (2019 - £1.7m) related to sales made through distributors.

An analysis of when the Group expects to recognise revenue in relation to contract liabilities is detailed in note 16 of these financial statements.

### 5 Operating loss

	2020 £'000	2019 £'000
Staff costs	3,763	4,442
Depreciation of property, plant and equipment	187	171
Amortisation of intangible assets	1,300	1,231
Amortisation of right-of-use assets	122	126
Research and development costs	210	141
Foreign exchange (gain)/loss	103	246
Inventory recognised through the income statement	2,419	2,214
Auditor's remuneration – audit of financial statements	67	90
Auditor's remuneration – non audit services	87	64

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2020 *(continued)*

### 5 Operating loss *(continued)*

Non audit service fees were tax advisory services of £21,000 (2019 - £20,000), assurance services other than the auditing of the Company's accounts of £31,000 (2019 - £28,000) and other services of £35,000 (2019 - £16,000).

Other income of £360,000 relates to government support received in the form of waiver of a loan received under the US Paycheck Protection Programme.

### 6 Employees

	2020 £'000	2019 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	3,316	3,800
Social security costs	329	391
Expenses relating to pension plans and employee benefits	215	251
Amounts received under Government CJRS	(97)	-
	<u>3,763</u>	<u>4,442</u>

#### *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 6 and the Chief Technology Officer.

	2020 £'000	2019 £'000
Salary	613	677
Expenses relating to pension plans and employee benefits	43	30
	<u>656</u>	<u>707</u>

The average number of employees (including executive directors) during the year was 54 (2019 – 65).

The employees were engaged in the following activities:

Employee numbers	2020	2019
Manufacturing and services	26	34
Sales and marketing	14	12
Research and development	6	10
Finance and administration	8	9
	<u>54</u>	<u>65</u>

# Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 *(continued)*

## 6 Employees (continued)

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

Directors emoluments	2020 £'000	2019 £'000
Salary	439	508
Expenses relating to pension plans and employee benefits	39	45
Fees	35	36
	513	589

Three (2019 – three) directors are members of a defined contribution scheme.

The aggregate of emoluments of the highest paid director was £217,000 (2019 - £264,000). Company pension contributions of £6,000 (2019 - £7,000) 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

	2020 £'000	2019 £'000
Interest expense on financial liabilities measured at amortised cost – loans and borrowings	(1,455)	(1,322)
Interest expense on lease liabilities	(38)	(35)
Interest expense on deferred PAYE	(1)	-
	(1,494)	(1,357)

## 9 Tax expense/(credit)

	2020 £'000	2019 £'000
<i>Current tax expense/(credit)</i>		
Current tax on losses for the period	2	(20)
Adjustments in respect of prior periods	71	(41)
Adjustments in respect of prior periods (foreign tax)	-	33
	73	(28)

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 (continued)**

### 9 Tax expense/(credit) (continued)

	2020 £'000	2019 £'000
<i>Deferred tax:</i>		
Origination and reversal of temporary differences (note 19)	(86)	65
Adjustments in respect of prior periods	(63)	-
Effect of tax rate change on opening balance	12	-
	<hr/>	<hr/>
Total deferred tax	(137)	65
	<hr/>	<hr/>
	(64)	37
	<hr/>	<hr/>

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:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(2,016)	(3,253)
	<hr/>	<hr/>
Tax using the Company's domestic tax rate of 19% (2019 - 19%)	(383)	(618)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(105)	4
Additional deduction for R&D expenditure	-	(119)
Surrender of tax losses for R&D tax credit refund	-	6
Remeasurement of deferred tax liabilities for changes in tax rates	77	-
Difference in overseas tax rates	17	32
Adjusting the deferred tax to the average rate	-	40
Adjustment to tax charge in respect of prior periods	50	(31)
Deferred tax not recognised	280	723
	<hr/>	<hr/>
Total tax (credit)/expense for the year	(64)	37
	<hr/>	<hr/>

#### *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.

In the Spring 2020 Budget, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date. As a result deferred tax balances as at 1 January 2021 continue to be measured at 19%.

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements**  
**For the year ended 31 December 2020 (continued)**

<b>10 Inventories</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and supplies	1,053	1,087
Work in progress	68	6
Finished goods and products held for resale	1,166	1,295
	<hr/>	<hr/>
	<b>2,287</b>	<b>2,388</b>
	<hr/>	<hr/>
<b>11 Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables from the sale of goods and services	2,760	2,278
Less: provision for impairment of trade receivables	(12)	(12)
	<hr/>	<hr/>
Net trade receivables	<b>2,748</b>	<b>2,266</b>
Other receivables	69	35
	<hr/>	<hr/>
<b>Total financial assets other than cash and cash equivalents classified as amortised cost</b>	<b>2,817</b>	<b>2,301</b>
Deposits	10	48
Prepayments	105	156
Accrued income	124	39
Value added tax	-	218
Corporation tax	2	123
	<hr/>	<hr/>
<b>Total trade and other receivables</b>	<b>3,058</b>	<b>2,885</b>
Less: non-current portion	-	-
	<hr/>	<hr/>
Current portion	<b>3,058</b>	<b>2,885</b>
	<hr/>	<hr/>

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.



## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 *(continued)*

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

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

	2020 £'000	2019 £'000
Bought forward	12	9
Increase during the period	-	1
Foreign exchange movements	-	2
	<hr/>	<hr/>
Impairment loss during the period	-	3
	<hr/>	<hr/>
At 31 December	12	12
	<hr/>	<hr/>

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

	Gross 31 December 2020 £'000	Allowance 31 December 2020 £'000	Net 31 December 2020 £'000
Current	1,722	-	1,722
31 - 60 days overdue	371	-	371
61 - 90 days overdue	433	-	433
91 - 120 days overdue	94	-	94
120+ days overdue	140	(12)	128
	<hr/>	<hr/>	<hr/>
	2,760	(12)	2,748
	<hr/>	<hr/>	<hr/>
	Gross 31 December 2019 £'000	Allowance 31 December 2019 £'000	Net 31 December 2019 £'000
Current	1,572	-	1,572
31 - 60 days overdue	349	-	349
61 - 90 days overdue	48	-	48
91 - 120 days overdue	185	-	185
120+ days overdue	124	(12)	112
	<hr/>	<hr/>	<hr/>
	2,278	(12)	2,266
	<hr/>	<hr/>	<hr/>

# **Xstrahl Group Holdings Limited**

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 (continued)

<b>12 Property, plant and equipment</b>		<b>Leasehold Property Improvements £'000</b>	<b>Motor Vehicles £'000</b>	<b>Plant and Machinery £'000</b>	<b>Plant and machinery For hire £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>								
At 1 January 2020		21	34	281	128	38	256	758
Additions		12	-	3	-	-	81	96
Disposals		-	-	-	(31)	(11)	(36)	(78)
Foreign exchange movements		-	1	(6)	-	-	(2)	(7)
At 31 December 2020		<b>33</b>	<b>35</b>	<b>278</b>	<b>97</b>	<b>27</b>	<b>299</b>	<b>769</b>
<i>Accumulated depreciation</i>								
At 1 January 2020		6	20	98	50	14	125	313
Charge for the year		3	6	46	23	4	102	184
Disposals		-	-	-	-	(4)	(27)	(31)
Foreign exchange movements		-	-	(4)	-	-	-	(4)
At 31 December 2020		<b>9</b>	<b>26</b>	<b>140</b>	<b>73</b>	<b>14</b>	<b>200</b>	<b>462</b>
<i>Net book value</i>								
At 31 December 2020		<b>24</b>	<b>9</b>	<b>138</b>	<b>24</b>	<b>13</b>	<b>99</b>	<b>307</b>
At 31 December 2019		15	14	183	78	24	131	445

# Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 (continued)

## 12 Property, plant and equipment (continued)

	Leasehold Property Improvements £'000	Motor Vehicles £'000	Plant and Machinery £'000	Plant and machinery For hire £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
<i>Cost</i>							
At 1 January 2019	7	36	262	75	30	173	583
Additions	14	-	26	55	8	85	188
Disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	(2)	(7)	(2)	-	(2)	(13)
At 31 December 2019	21	34	281	128	38	256	758
<i>Accumulated depreciation</i>							
At 1 January 2019	2	13	51	32	7	42	147
Charge for the year	4	8	50	19	7	83	171
Disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	(1)	(3)	(1)	-	-	(5)
At 31 December 2019	6	20	98	50	14	125	313
<i>Net book value</i>							
At 31 December 2019	15	14	183	78	24	131	445
At 31 December 2018	5	23	211	43	23	131	436

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (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.

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 incremental borrowing rate in the relevant jurisdiction where 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.

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.

# **Xstrahl Group Holdings Limited**

## **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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

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.

Management has analysed the COVID19 practical expedient that is available but it has not been applied. The rent concession provided during the year is considered immaterial.

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

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

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

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 2020 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.

# Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 *(continued)*

## 13 Leases (continued)

<b>Right of use assets</b>	<b>Leasehold Property £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
At 1 January 2019	-	-	-
Recognised on adoption of IFRS 16	756	25	781
Additions	-	13	13
Amortisation	(111)	(15)	(126)
Foreign exchange movements	(10)	-	(10)
At 31 December 2019	<b>635</b>	<b>23</b>	<b>658</b>
Additions	-	-	-
Amortisation	(113)	(9)	(122)
Foreign exchange movements	(5)	-	(5)
At 31 December 2020	<b>517</b>	<b>14</b>	<b>531</b>
<b>Lease liabilities</b>	<b>Leasehold Property £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
At 1 January 2019	-	-	-
Recognised on adoption of IFRS 16	756	25	781
Additions	-	13	13
Interest expense	33	2	35
Lease payments	(136)	(24)	(160)
Foreign exchange movements	(10)	-	(10)
At 31 December 2019	<b>643</b>	<b>16</b>	<b>659</b>
Additions	-	-	-
Interest expense	37	1	38
Lease payments	(133)	(10)	(143)
Foreign exchange movements	(2)	-	(2)
At 31 December 2020	<b>545</b>	<b>7</b>	<b>552</b>

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2020 *(continued)*

### 14 Goodwill and impairment

	Total £'000
<i>Cost and net book value</i>	
At 1 January 2019	2,538
Foreign exchange movements	(63)
	<hr/>
At 31 December 2019	2,475
Foreign exchange movements	(55)
	<hr/>
At 31 December 2020	<b>2,420</b>
	<hr/>

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	
	2020 £'000	2019 £'000
UK CGU	584	584
USA CGU	1,836	1,891
	<hr/>	<hr/>
	<b>2,420</b>	<b>2,475</b>
	<hr/>	<hr/>

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 2023. Other major assumptions are as follows:

	UK CGU %	US CGU %
Post tax discount rate	13.2%	13.6%
Growth rate years 4 and 5	2.0%	7.5%
Terminal growth rate	2.0%	2.0%

Management has deemed the year 4 and 5 growth rate of 7.5% in the USA CGU to be appropriate due to the detailed forecasts that have been produced. These forecasts have identified significant growth in the RADiant product within the dermatological market.

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.

Despite the ongoing Covid-19 pandemic, Management has determined, through detailed forecasting and continued strong performance, that no significant detrimental impact is expected to the future business and therefore has no impact on the impairment assessment.

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)

#### 14 Goodwill and impairment (continued)

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

- UK recoverable amount of £15,505,201 exceeds the carrying amount by £8,745,410 and
- USA recoverable amount of \$22,053,314 exceeds the carrying amount by \$17,158,469

*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 30.2% (UK CGU) and 35.1% (US GCU)

In conclusion, management have determined that no impairment is required.

#### 15 Other intangible assets

	Brand £'000	Contracts £'000	Customer relationships £'000	Development costs £'000	Total £'000
<i>Cost</i>					
At 1 January 2020	3,846	371	7,024	535	11,776
Additions	-	-	-	307	307
Foreign exchange movements	(39)	(2)	(69)	(13)	(123)
At 31 December 2020	<b>3,807</b>	<b>369</b>	<b>6,955</b>	<b>829</b>	<b>11,960</b>
<i>Amortisation and impairments</i>					
At 1 January 2020	699	273	1,276	58	2,306
Charge for the year	389	31	710	170	1,300
Foreign exchange movements	(16)	(2)	(26)	(6)	(50)
At 31 December 2020	<b>1,072</b>	<b>302</b>	<b>1,960</b>	<b>222</b>	<b>3,556</b>
<i>Net book value</i>					
At 31 December 2020	<b>2,735</b>	<b>67</b>	<b>4,995</b>	<b>607</b>	<b>8,404</b>
At 31 December 2019	3,147	98	5,748	477	9,470

Amortisation expense on intangible assets is included in administrative expenses.



## Xstrahl Group Holdings Limited

Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 (*continued*)

### 16 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	815	734
Accruals	886	671
<b>Total financial liabilities, excluding loans and borrowings and lease liabilities, classified as financial liabilities measured at amortised cost</b>	<b>1,701</b>	<b>1,405</b>
Other payables – tax and social security payments	49	63
Other payables	149	22
Contract liabilities	3,838	3,152
Value added tax	59	16
Other taxes payable	16	17
<b>Total trade and other payables</b>	<b>5,812</b>	<b>4,675</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. £2.5m (2019: £3.1m) of revenue recognised in the year was included in the contract liability balance at the beginning of the period.

Contract liabilities of £3.4m (2019: £2.7m) are expected to be recognised within one year of the balance sheet date with the remaining £0.4m (2019: £0.5m) expected to be realised between 2 and 5 years of the balance sheet date.

### 17 Loans and borrowings

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

	2020 Book value £'000	2020 Fair value £'000	2019 Book value £'000	2019 Fair value £'000
<i>Non-current</i>				
Non-vendor loan notes – principal	12,357	12,357	11,234	11,234
Vendor loan notes – principal	6,500	6,500	6,500	6,500
	<b>18,857</b>	<b>18,857</b>	<b>17,734</b>	<b>17,734</b>

The Vendor loan notes are secured floating rate loan notes and as at the balance sheet date were repayable four years from the date of issue, being 8 March 2022. These loan notes incur interest which is paid quarterly, at LIBOR plus 450 basis points. This is increased to LIBOR plus 550 basis points where the company does not comply with the required cashflow cover. 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 2020 (continued)

### 17 Loans and borrowings (continued)

During the year, in March 2020, the loan note holders 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 accrued interest at an additional 350 basis points. Loan note holders also agreed to remove the requirement of the quarterly cash flow cover test for the periods ending 31 March, 30 June, 30 September and 31 December 2020.

Post year end, in June 2021, the terms of the Vendor loan notes were renegotiated with repayment now due in March 2023. A repayment of principal of £675,000 was made on 29 June 2021 leaving the Vendor loan notes at £5.825m. Interest will accrue quarterly at 600 basis points above the Bank of England base rate. All previously deferred interest was paid in full on 29 June 2021.

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 2020. 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 £'000</b>
At 1 January 2020	86
(Released) / accrued in the period	30
Foreign exchange movement	-
	<hr/>
At 31 December 2020	<b>116</b>
	<hr/>
Split between:	
Current	107
Non-current	9
	<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 2020 £'000</b>	<b>Deferred tax liability 2020 £'000</b>	<b>Deferred tax asset 2019 £'000</b>	<b>Deferred tax liability 2019 £'000</b>
At 1 January	2	(2,121)	271	(2,346)
<i>Recognised in profit and loss</i>				
Deferred tax credit	2	132	(266)	201
Foreign exchange movement	-	13	(3)	24
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	<b>4</b>	<b>(1,976)</b>	<b>2</b>	<b>(2,121)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)

#### 19 Deferred tax (continued)

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.

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 2020 £'000	Liability 2020 £'000	Net 2020 £'000	Charged/ credited to profit or loss 2020 £'000	Charged/ credited to equity 2020 £'000
Accelerated capital allowances	4	(125)	(121)	37	-
Group provision – future reversal	-	(303)	(303)	-	-
Business combinations	-	(1,548)	(1,548)	112	-
	<b>4</b>	<b>(1,976)</b>	<b>(1,972)</b>	<b>149</b>	<b>-</b>
	Asset 2019 £'000	Liability 2019 £'000	Net 2019 £'000	Charged/ credited to profit or loss 2019 £'000	Charged/ credited to equity 2019 £'000
Accelerated capital allowances	-	(158)	(158)	21	-
Other temporary and deductible differences	2	-	2	4	-
Different accounting basis for overseas subsidiaries	-	-	-	267	-
Group provision – future reversal	-	(303)	(303)	-	-
Business combinations	-	(1,660)	(1,660)	(247)	-
	<b>2</b>	<b>(2,121)</b>	<b>(2,119)</b>	<b>45</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 2020 *(continued)*

### 19 Deferred tax *(continued)*

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

	2020 £'000	2019 £'000
Unused tax losses	281	920

### 20 Share capital

	2020 £	2019 £
<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
23,266 B ordinary shares of £0.01 each	233	244
18,500 C ordinary shares of £0.01 each	185	185
	<b>1,372</b>	<b>1,383</b>

#### Reconciliation of shares allotted and called up:

	Date	Ordinary Shares	A Ordinary Shares	B Ordinary Shares	C Ordinary Shares	Total equity £	Share capital £	Share premium £
As at	01/01/2019	13,985	81,463	21,676	18,500	95,849	1,356	94,493
Issue	06/02/2019	-	-	275	-	3	3	-
Issue	14/02/2019	-	-	2,404	-	24	24	-
As at	31/12/2019	13,985	81,463	24,355	18,500	95,876	1,383	94,493
Buy back	21/10/2020	-	-	(1,089)	-	(11)	(11)	-
As at	31/12/2020	<b>13,985</b>	<b>81,463</b>	<b>23,266</b>	<b>18,500</b>	<b>95,865</b>	<b>1,372</b>	<b>94,493</b>

On 21 October 2020, 1,089 B ordinary shares of £0.01 were bought back and cancelled.

Subsequent to year end, on 15 April 2021, 2,404 B ordinary shares of £0.01 were bought back and cancelled.

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)**

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#### **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).

## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)

#### 21 Reserves

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

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

#### 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 and other receivables
- Cash and cash equivalents
- Trade and other payables
- Lease liabilities
- Loans and borrowings

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

	2020 £'000	2019 £'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	4,548	2,650
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	21,110	19,797

## Xstrahl Group Holdings Limited

**Notes forming part of the consolidated financial statements  
For the year ended 31 December 2020 (continued)**

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

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

	Carrying value 2020 £'000	Carrying value 2019 £'000
<b>Financial assets measured at cost or amortised cost</b>		
Trade and other receivables	2,817	2,301
Cash and cash equivalents	1,731	349
	<hr/> 4,548 <hr/>	<hr/> 2,650 <hr/>
	2020 £'000	2019 £'000
<b>Financial liabilities measured at cost or amortised cost</b>		
Trade and other payables	1,701	1,405
Lease liabilities	553	658
Loans and borrowings	18,857	17,734
	<hr/> 21,111 <hr/>	<hr/> 19,797 <hr/>

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 2020, that defaults in payment obligations will occur.

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)

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

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.

#### 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 2020 £'000	Variable rate 2020 £'000	Fixed rate 2019 £'000	Variable rate 2019 £'000
Cash and cash equivalents	-	1,731	-	349
Non-vendor loan notes	(12,357)	-	(11,234)	-
Vendor loan notes	-	(6,500)	-	(6,500)
	<u>(12,357)</u>	<u>(4,769)</u>	<u>(11,234)</u>	<u>(6,151)</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 £47,695 (2019 - £61,513).

#### 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 2020.



## Xstrahl Group Holdings Limited

### Notes forming part of the consolidated financial statements For the year ended 31 December 2020 *(continued)*

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

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.

As of 31 December 2020, the Group's net exposure to foreign exchange risk, analysed by functional currency of each entity, was as follows:

##### At 31 December 2020

	US Dollar £'000	Euro £'000	Swedish Krona £'000	Other £'000	Total £'000
<b>Net foreign currency financial assets</b>					
- Thereof: Financial assets	1,665	846	24	5	2,540
- Thereof: Financial liabilities	(844)	(48)	-	(8)	(900)
<b>Total net exposure</b>	<b>821</b>	<b>798</b>	<b>24</b>	<b>(3)</b>	<b>1,640</b>
Change in future cash flows resulting from a 10% appreciation of GBP	82	80	2	-	164

##### At 31 December 2019

	US Dollar £'000	Euro £'000	Swedish Krona £'000	Other £'000	Total £'000
<b>Net foreign currency financial assets</b>					
- Thereof: Financial assets	1,301	508	188	1	1,998
- Thereof: Financial liabilities	(665)	(6)	-	-	(671)
<b>Total net exposure</b>	<b>636</b>	<b>502</b>	<b>188</b>	<b>1</b>	<b>1,327</b>
Change in future cash flows resulting from a 10% appreciation of GBP	64	50	19	95	133

## **Xstrahl Group Holdings Limited**

### **Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (*continued*)**

#### **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 £1,701,000 are contractually payable within 3 months;
- Loans and borrowings, including the principal balance of £18,857,000 are contractually payable within 1 to 2 years. Subsequent to the year-end repayment terms were extended see note 17.

##### *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 2020 (*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 2020 was as follows:

	2020 £'000	2019 £'000
Loans and borrowings	18,857	17,734
Less: cash and cash equivalents	(1,731)	(349)
Net debt	<u>17,126</u>	<u>17,385</u>

Cash flows from financing activities can be reconciled to the balance sheet movement as follows:

	Non-current loans and borrowings £000's	Non-current lease liabilities £000's	Current lease liabilities £000's	Total cash flows £000's
<b>At 1 January 2020</b>	<b>17,734</b>	<b>554</b>	<b>104</b>	<b>18,392</b>
<b>Cash flows:</b>				
Interest payments	(200)	-	-	(200)
Lease payments	-	-	(138)	(138)
<b>Non-cash flows:</b>				
Interest payable on borrowings	1,454	-	38	1,492
Interest accrued through trade and other payables	(131)	-	-	(131)
Lease payments becoming current	-	(88)	88	-
FX adjustments	-	(1)	(4)	(5)
<b>At 31 December 2020</b>	<b>18,857</b>	<b>465</b>	<b>88</b>	<b>19,410</b>

	Non-current loans and borrowings £000's	Non-current lease liabilities £000's	Current lease liabilities £000's	Total cash flows £000's
<b>At 1 January 2019</b>	<b>16,781</b>	-	-	<b>16,781</b>
<b>Cash flows:</b>				
Interest payments	(368)	-	-	(368)
Lease payments	-	-	(161)	(161)
<b>Non-cash flows:</b>				
Adoption of IFRS 16	-	655	126	781
Lease addition	-	13	-	13
Interest payable on borrowings	1,321	-	35	1,356
Lease payments becoming current	-	(104)	104	-
FX adjustments	-	(10)	-	(10)
<b>At 31 December 2019</b>	<b>17,734</b>	<b>554</b>	<b>104</b>	<b>18,392</b>

# Xstrahl Group Holdings Limited

## Notes forming part of the consolidated financial statements For the year ended 31 December 2020 (continued)

### 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 (2019 - £17,500) plus VAT. During the year £70,000 (2019 - £70,000) 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 £37,463 (2019 - £7,729) 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:

Related Party	Relationship	Loan note principal 2020 £'000	Loan note principal 2019 £'000
A J Treverton	Director	1,413	1,284
A C Tulk	Director	146	132
P L Viner	Director	72	66
L O Johnson	Director	8,187	7,443
B Redmond	Former Director	786	715
M J Simmonds	Former Director	262	238
J Jenkins	Director	26	25
Risk Capital Partners LLP	Investing LLP	1,224	1,111
T Kanesalingham	Former Key Management	169	154
A Mullen	Former Key Management	72	66
		<b>12,357</b>	<b>11,234</b>

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. From 2020, accrued interest compounds annually on 31 December each year.

Compensation of key personnel is detailed in note 6 of these financial statements.

### 24 Post Balance Sheet Events

Subsequent to the year end, the terms of the Vendor loan notes have been renegotiated. Further details are provided in note 17.

### 25 Ultimate controlling party

The ultimate controlling party is Mr L O Johnson.

## Xstrahl Group Holdings Limited

### Company statement of financial position at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Investments	5	17,992	17,992
		<u>17,992</u>	<u>17,992</u>
<b>Current assets</b>			
Trade and other receivables	6	68	36
Cash and cash equivalents		842	26
		<u>910</u>	<u>62</u>
<b>Total assets</b>		<u>18,902</u>	<u>18,054</u>
<b>Current liabilities</b>			
Trade and other payables	7	(4,241)	(2,962)
<b>Net current liabilities</b>		<u>(3,331)</u>	<u>(2,900)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	8	(18,857)	(17,734)
<b>Total liabilities</b>		<u>(23,098)</u>	<u>(20,696)</u>
<b>Net liabilities</b>		<u>(4,196)</u>	<u>(2,642)</u>

The notes on pages 54 to 59 form part of these financial statements

## Xstrahl Group Holdings Limited

### Company statement of financial position at 31 December 2020 (*continued*)

	Note	2020 £'000	2019 £'000
<b>Issued capital and reserves</b>			
Share capital	9	1	1
Share premium		94	94
Retained deficit		(4,291)	(2,737)
		<hr/>	<hr/>
<b>Total equity</b>		<b>(4,196)</b>	<b>(2,642)</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 £1,554,000 (2019 - £1,381,000).



PL Viner  
Director

Date: 13 September 2021

The notes on pages 54 to 59 form part of these financial statements

## Xstrahl Group Holdings Limited

### Company statement of changes in equity For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Retained deficit £'000	Total £'000
At 1 January 2020	1	94	(2,737)	(2,642)
Loss for the year	-	-	(1,554)	(1,554)
<b>Total comprehensive loss for the financial year</b>	-	-	(1,554)	(1,554)
<b>Balance at 31 December 2020</b>	1	94	(4,291)	(4,196)

Changes in equity during the year ended 31 December 2020 included a share buyback totalling £11. Further details are provided in note 20 of the consolidated financial statements.

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2019	1	94	(1,356)	(1,261)
Loss for the year	-	-	(1,381)	(1,381)
<b>Total comprehensive loss for the financial year</b>	-	-	(1,381)	(1,381)
<b>Balance at 31 December 2019</b>	1	94	(2,737)	(2,642)

Changes in equity during the year ended 31 December 2019 included a share issue totalling £27. Further details are provided in note 20 of the consolidated financial statements.

The notes on pages 54 to 59 form part of these financial statements

# Xstrahl Group Holdings Limited

## Notes forming part of the Company financial statements For the year ended 31 December 2020 (*continued*)

### 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 financial statements are presented in Pounds Sterling, which is also Company's functional currency. All amounts are rounded the nearest thousand (£'000) unless otherwise stated.

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*

The Company made a loss before tax for the year of £1.6m (2019 - £1.4m), at the year end held cash balances of £0.8m (2019 - £0.03m) and had net liabilities of £4.2m (2019 - £2.6m). As explained in further detail in note 2 of the consolidated financial statements, 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 and Company will have sufficient cash resources available to meet its liabilities as they fall due.

From a Company perspective, Xstrahl Group Holdings Limited is reliant on a profitable trading group to allow it to pay its creditors and liabilities as they fall due. The terms of the Company's Vendor loan notes, which amounted to £6.5m at the balance sheet date, repayable on 8 March 2022, have been renegotiated subsequent to the balance sheet date, as further detailed in note 17 to the consolidated financial statements. As at the date of approval of the financial statements, Vendor loan notes amounting to £5.825m are repayable on 8 March 2023, along with £12.4m of Non-vendor loan notes. Whilst the Directors are having early stage discussions on the various options available to refinance the loan notes past 8 March 2023, and expect to be able to successfully refinance the Company's debt at that date, no re-financing solution has yet been agreed, and the Directors recognise the liquidity risk that this presents for the Group.

The directors expect the Company will meet its day-to-day working capital requirements from the cash flows generated by the Group's trading activities and cash resources available. As a result of the above the directors consider it appropriate to prepare the financial statements on the going concern basis.



# **Xstrahl Group Holdings Limited**

**Notes forming part of the Company financial statements  
For the year ended 31 December 2020 (continued)**

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

### *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.

### *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.

# Xstrahl Group Holdings Limited

## Notes forming part of the Company financial statements For the year ended 31 December 2020 *(continued)*

### 2 Accounting policies (continued)

#### *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.

### 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 £1,554,000.

### 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

	2020 £'000	2019 £'000
At 1 January	17,992	17,992
At 31 December	17,992	17,992

At 31 December 2020, 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%
Photoelectric 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%

# Xstrahl Group Holdings Limited

## Notes forming part of the Company financial statements For the year ended 31 December 2020 (*continued*)

### 5 Investments (continued)

The registered office address of all UK registered entities is Unit 2, 20 Maybrook Road, Walsall Wood, Walsall, WS8 7DG

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

#### *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 2020 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 2020.

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 2020 are set out below:

Name	Company registration number	Liabilities to non-Group entities £'000
Xstrahl Group Limited	09763820	14
Xstrahl Limited	03105256	3,482
Oncotherapy Resources Limited	08019071	13
Phoenix Objectives Limited	05517894	13

### 6 Trade and other receivables

	2020 £'000	2019 £'000
VAT	-	19
Other debtors and prepayments	17	17
Amounts owed by Group companies	51	-
	<u>68</u>	<u>36</u>

### 7 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	27	6
Amounts due to Group companies	3,692	2,658
VAT	52	-
Other creditors and accruals	455	298
Other taxes	15	-
	<u>4,241</u>	<u>2,962</u>

## Xstrahl Group Holdings Limited

### Notes forming part of the Company financial statements For the year ended 31 December 2020 (*continued*)

#### 8 Loans and borrowings

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

	2020 £'000	2019 £'000
<i>Non-current</i>		
Non-vendor loan notes	12,357	11,234
Vendor loan notes	6,500	6,500
	<hr/>	<hr/>
<b>Total loans and borrowings</b>	<b>18,857</b>	<b>17,734</b>
	<hr/>	<hr/>

#### 9 Share capital

	2020 £	2019 £
<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
23,266 B ordinary shares of £0.01 each	233	244
18,500 C ordinary shares of £0.01 each	185	185
	<hr/>	<hr/>
	<b>1,372</b>	<b>1,383</b>
	<hr/>	<hr/>

Details of share changes 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:

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.

#### 11 Capital commitments

The Company had no capital commitments at 31 December 2020.

#### 12 Contingent liabilities

The Company had no contingent liabilities at 31 December 2020.

## **Xstrahl Group Holdings Limited**

**Notes forming part of the Company financial statements  
For the year ended 31 December 2020 (*continued*)**

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### **13 Post balance sheet events**

Subsequent to the year end, the terms of the Vendor Loan Notes have been renegotiated. Further details are provided in note 17 of the consolidated financial statements.

### **14 Ultimate controlling party**

The ultimate controlling party is Mr L O Johnson.