Xeros Technology Group plc

Interim results

Xeros Technology Group plc (AIM: XSG, 'the Group', 'Xeros'), the developer and provider of patented polymer based technologies with multiple commercial applications, today publishes its results for the six months to 30 June 2017.

Group highlights

- Significant progress towards commercialising our technology across all targeted applications
- Developing relationships with significant market incumbents to license technology for scale commercialisation: IP-rich, capital-light models
- Working capital improvement through partnership with Hitachi Capital to purchase portion of existing lease portfolio and provision of ongoing lease financing in US on premise laundry
- Group income £1.1m (2016: £0.8m). Continued investment in application portfolio and patented technologies resulting in adjusted EBITDA[1] loss of £13.2m (2016: loss £7.4m). Group cash of £16.2m at 30 June 2017

Cleaning Technologies

- Total installed estate of commercial machines increased by 36% to 378 machines (30 June 2016: 278)
- Launch of smaller 16kg commercial washing machine well received
- Continued internationalisation of Forward Channel Partners network providing access to new markets
- Plan to demonstrate domestic machine prototype design at 2018 Consumer Electronics Show in January
- Post-period end acquisition of MarKen PPE Restoration provides platform for rapid growth in high-value high-performance workwear market
- Post-period end, first Symphony Project development agreement for trialling Xeros' technology with major global machine manufacturer

Tanning Technologies

- First commercial tanning contract signed with leading European tannery Wollsdorf Leder - 10 year agreement to use Xeros' technology in its retanning and dyeing operations
- Successful trial programmes continuing in four additional European tanneries with three further tanneries to commence trials in 2017.

Textile Technologies

- Significant progress in trials to reduce water, chemistry and effluent
- Core patent filings aiding future protection

[1] Adjusted EBITDA is defined as loss on ordinary activities before interest, tax, share-based payment expense, non-operating exceptional costs, depreciation and amortisation

Mark Nichols, Chief Executive of Xeros, said:

"We have continued to make sound progress on the implementation of our strategy to establish our unique polymer technology in three world-scale industries: cleaning, tanning and textiles.

"We are developing IP-rich, capital-light business models to licence our technology to world-leading market incumbents that will provide Xeros with stable income streams with long term visibility.

"In Cleaning, we are beginning to make allies of former competitors through our Symphony Project and have developed what we believe to be a breakthrough in the design of domestic washing machines incorporating Xeros technology.

"In Tanning, we have signed our first commercial tanning contract with Wollsdorf - a key milestone for this business and an example of the IP-rich, capital-light model we are pursuing.

"In Textiles, we are also making good progress in developing our technology for use in this sector with a number of key patent applications being filed to protect our IP.

"We remain well positioned to deliver further progress on commercialisation across all targeted applications in the current year and into 2018."

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Notes to Editors

Xeros Technology Group plc (LN: XSG) is a platform technology company that is reinventing water intensive industrial and consumer processes by reducing water and chemistry usage with its polymer technologies. Its patented technologies have the capacity to provide material economic, operational and sustainability improvements that are unattainable with traditional processes. The Group is currently exploiting its intellectual property in three areas: Cleaning Technologies, Tanning Technologies and Textile Technologies. Xeros has a number of agreements in place with such international organisations as Hilton and Wollsdorf Leder.

For more information, please visit – www.xerostech.com

Operational review

Cleaning Technologies

The Group launched its Symphony Project in April, providing manufacturers of conventional commercial washing machines with 'open source' access to Xeros' innovative polymer technology, with a simple means of incorporating its technology at the end of their production lines. The Group then successfully demonstrated a working prototype at the Clean Show in early June.

Post-period end, in September, the Group signed its first Symphony Project development agreement with a leading manufacturer of commercial washing machines for technical validation and testing. Following the testing phase, the parties anticipate the commencement of commercial negotiations. In addition, discussions are ongoing with a number of other manufacturers with the overall objective of achieving broad penetration of Xeros' technology through these existing incumbents and their channels to market.

Under the business model being developed, Xeros and its OEM partners will share in the significant economic gains that our technology delivers. We are planning a similar approach with chemistry suppliers and discussions in this regard are also ongoing.

In July, the Group signed an agreement to partner with Hitachi to provide a range of lease financing packages to Xeros' commercial laundry customers and future customers across its global operations. The agreement also includes the sale of part of Xeros' existing lease portfolio.

Hitachi will offer Xeros' customers greater flexibility by providing a range of lease financing packages that will further enhance the attractiveness of the Group's commercial laundry proposition. Over time, the arrangement is expected to reduce the Group's working capital needs pending migration to the Symphony model.

In anticipation of the implementation of Symphony Project, Xeros' own presence in the market place has continued towards an indirect model whereby our own Forward Channel Partners provide lifecycle services to customers.

As previously stated, the Group reduced the installation and commissioning rates in Q4 2016 and Q1 2017 in order to work on improving commissioning capacity to meet demand. The Group now has 10 Forward Channel Partners who are qualified to sell, commission and service installations. We continue to see healthy demand for Xeros machines, both directly and through our Forward Channel Partners.

In the first six months of the year Forward Channel Partners commissioned over half of all commissioned machines. 30% of all machines commissioned were Xeros' increasingly popular 16kg machine. The demand for the latter has proved to be significant and has temporarily outstripped the Group's short term supply capacity, which is being increased so as to be able to take and deliver orders.

Total commercial washing machine installations and letters of agreement with a high probability of becoming binding contracts totalled 460 at 30 June 2017, (30 June 2016: 304).

The first of our machines supplied to our Forward Channel Partner, Richard Jay Pty in Australia, was commissioned in early September. Xeros has no physical presence in Australia. Similar arrangements are anticipated in the near term to service Dubai and Israel with all countries targeted based on water stress and cost.

Xeros created a new business unit, High Performance Work Wear, to serve the market for cleaning high performance protective workwear. Xeros' technology cleans and decontaminates to a level unachievable with conventional approaches whilst simultaneously extending garment life. This unit has its own leadership team to drive growth in this attractive market. The team is currently developing plans for deploying Xeros' technology both geographically and sectorally including in fire, military, transport, mining and petrochemical markets.

In July the Group acquired MarKen PPE Restoration to accelerate Xeros' penetration of this market and, since the acquisition, MarKen has signed new contracts worth approximately $175,000per annum.

In January 2018, Xeros plans to demonstrate its latest breakthrough in domestic machine design at the Consumer Electronics Show in Las Vegas. The design offers all OEMs the ability to provide their customers with washing processes which are cheaper, make their clothes and fabrics cleaner, last longer and look better. The prototype machine that will be demonstrated involves a simple and inexpensive change to conventional machines which manufacturers can include at the end of their production lines.

Tanning Technologies

In July, the Group signed a 10-year contract with Wollsdorf Leder in Austria to progressively convert re-tanning processes to Xeros' technology.

In addition to the contract with Wollsdorf Leder, a further four European tanneries have completed R&D trials with Xeros and are now undertaking production scale trials. Results of which thus far have confirmed the business case assumptions. These trials are due to complete during the remainder of this year after which the Group expects a number of them to move to contract stage.

Since the period end, Xeros has been approached by an additional three European tanneries and trials are expected to start with these tanneries before the end of the year.

A full commercialistion and deployment team is being established to support the roll out of the Group's technology for Wollsdorf and future contracts.

Other developments

During the first six months of the year, the Group expanded its intellectual property portfolio with a further seven patent family applications, taking the total to 48. A number of these new patents address the application of the Group's technology in the Textiles industry. Xeros is now focussing on scaling up the results achieved in its Textiles trials to an industrial scale. Indications from workshop trials are that Xeros' technology can deliver similar levels of water, chemistry and energy savings to those already achieved in our other applications.

Current trading & outlook

In the first six months, the Group has achieved a number of key milestones in its transition from a designer and seller of polymer technology commercial washing machines towards an IP-rich, capital-light licenser of polymer-based technologies to multiple scale industries.

These milestones amply demonstrate the attraction of Xeros to global companies, whom we expect to become allies in commercialising and distributing our technologies in the cleaning, tanning and textile markets, to our mutual benefit.

We are greatly encouraged by the progress made to date in achieving large-scale commercialisation for our industry-changing technology. We look forward to making significant further progress during the rest of this year.

Financial review

Group earned income was generated as follows:

	Unaudited 6 months to 30 June 2017	*Unaudited 6 months to 30 June 2016*	*Unaudited 17 months ended 31 December 2016*
	£'000	*£'000*	*£'000*
Machine sales	**532**	509	1,540
Service income	**495**	271	837
Consumable sales	**6**	-	16
Lease interest income	**43**	27	73
Total earned income	**1,076**	807	2,466

Group earned income increased by 33.33% to £1,076,000 in the six months ended 30 June 2017 when compared to the prior period (2016: £807,000).

Notably, service income from the installed base of Commercial Laundry machines has increased significantly during the six months ended 30 June 2017, showing growth of 82.6%.

The point at which revenue and costs from machine sales can be recognised is dependent on the completion of a number of stages. These include the installation of the machine, commissioning of the machine, acceptance of the machine by the customer, completion of utility incentive formalities, where applicable, and then, in the case of lease sales, finalisation of the lease agreement. The Group does not recognise revenue and costs from a machine sale until all of these aspects are complete.

The number of machines installed in the period is as follows:

	6 months to 30 June 2017	*6 months to 30 June 2016*	*17 months ended 31 December 2016*
	No.	*No.*	*No.*
Machines sold – revenue and costs taken to P&L statement	**21**	29	76
Machines commissioned and generating service revenue, but machine sale revenues and costs not yet recognised	**90**	15	64
Total Revenue generating machines	**111**	44	140
Net machines installed but not yet commissioned	**(49)**	72	70
Machines installed in the period	**62**	116	210

During the period the Group has focused on increasing its commissioning capacity through the use of Forward Channel Partners and this has resulted in an increase of 90 machines commissioned in the six months. The total increase in revenue generating machines was 111 machines in the six months to 30 June 2017 (30 June 2016: 44). At the start of the period the Group had 104 machines installed but not yet commissioned and, due to the focus on increasing commissioning capacity, this number was reduced to 55 at the end of the period, representing a net reduction of 49 machines during the period.

As at 30 June 2017 the total installed estate is 378 machines and has grown by 36% over the year (30 June 2016: 278) and by 20% in the period (31 December 2016: 316). The number of letters of agreement with a high probability of becoming binding contracts as at 30 June 2017 is 82 (30 June 2017: 26) and therefore the total installed estate and letters of agreement as at 30 June 2017 is 460 (30 June 2016: 304).

As at 30 June 2017 contracted future revenues amount to £4.0m (2016: £3.8m) and average contract length is 34 months (2016: 59 months).

Adjusted gross margin reduced to £139,000 (13% of revenue) from £160,000 (19.8% of revenue). Sales and service margins continue to be in line with expectations as the Group continues to grow its market presence in the US.

The Group has continued to invest in both its R&D programme and its commercialisation programme. The Group spent £2.8m on R&D including staff and patent costs (2016: £2.3m) alongside the Commercial Laundry working capital, in line with the Board's expectations. The increase in R&D costs reflects the Group's continued development of the Textiles applications and further polymer development activity. As the scope of Xeros' commercialisation activities has grown during the period headcount at 30 June 2017 increased to 134 (30 June 2016: 108). Overall, this has resulted in an Adjusted EBITDA loss of £13.2m (2016: loss £7.4m).

During the period Sterling has strengthened against the US$ thereby ensuring that the continuing working capital investment in the US Cleaning Technologies business is proportionally less expensive when translated into Sterling, the Group's functional currency. As at 30 June 2017 the Group had forward contracts to buy $3.5m US.

The Group reported a loss after tax of £15.1m (2016: loss £6.1m). The loss per share was 17.36p (2016: loss 7.18p).

The Group expects cash utilisation to continue to accelerate over the coming years, as we continue to fund our R&D programme alongside the roll-out in Commercial Laundry.

The increase in net cash outflow from operations to £13.1m (2016: £10.4m) reflects these activities and was in line with the Board's expectations.

The Group had existing cash resources as at 30 June 2017 of £16.2m (2016: £39.4m) and remains debt free.

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2017

	Note	**Unaudited Six months ended 30 June 2017 £'000**	Unaudited Six months ended 30 June 2016 £'000	Unaudited 17 months ended 31 December 2016 £'000
Earned income		**1,076**	807	2,466
Less: lease interest income		**(43)**	(27)	(73)
Revenue		**1,033**	780	2,393
Cost of sales		**(937)**	(647)	(2,103)
Gross profit		**96**	133	290
Lease interest income		**43**	27	73
Adjusted gross margin		**139**	160	363
Administrative expenses		**(14,558)**	(8,334)	(22,640)
Adjusted EBITDA*		**(13,192)**	(7,434)	(20,659)
Share-based payment expense		**(997)**	(654)	(1,232)
Non-operating exceptional costs **		**-**	-	(87)
Depreciation of tangible fixed assets		**(273)**	(113)	(372)
Operating loss		**(14,462)**	(8,201)	(22,350)
Finance income		**84**	1,153	1,225
Finance expense		**(762)**	-	-
Loss before taxation		**(15,140)**	(7,048)	(21,125)
Taxation	**3**	**-**	917	886
Loss after tax		**(15,140)**	(6,131)	(20,239)
Other comprehensive income				
Items that are or maybe reclassified to profit or loss:				
Foreign currency translation differences - foreign operations		**833**	(551)	(1,720)
Total comprehensive expense for the period		**(14,307)**	(6,682)	(21,959)
Loss per ordinary share				
Basic and diluted on loss from continuing operations	**5**	**(17.36)p**	(7.18)p	(25.04)p

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

** Non-operating exceptional costs are the costs of the fundraising in November 2015.

Consolidated statement of changes in equity

For the six months ended 30 June 2017

	Share capital £000	Share premium £000	Merger reserve £000	Foreign currency translation reserve £000	Retained earnings deficit £000	Total £000
At 1 August 2015	**98**	**28,178**	**15,443**	**(22)**	**(22,426)**	**21,271**
Loss for the period	-	-	-	-	(20,239)	(20,239)
Other comprehensive expense	-	-	-	(1,720)	-	(1,720)
Loss and total comprehensive expense for the period	-	-	-	(1,720)	(20,239)	(21,959)
Transactions with Owners recorded directly in equity:						
Issue of shares	27	39,973	-	-	-	40,000
Exercise of share options	4	281	-	-	-	285
Costs of share issues		(2,152)	-	-	-	(2,152)
Share based payment expense	-	-	-	-	141	141
Total contributions by and distributions to owners	31	38,102	-	-	141	38,274
At 31 December 2016	**129**	**66,280**	**15,443**	**(1,742)**	**(41,433)**	**38,677**
At 1 January 2016	**125**	**66,017**	**15,443**	**(93)**	**(27,898)**	**53,594**
Loss for the period	-	-	-	-	(6,131)	(6,131)
Other comprehensive expense	-	-	-	(551)	-	(551)
Loss and total comprehensive expense for the period	-	-	-	(551)	(6,131)	(6,682)
Transactions with Owners recorded directly in equity:						
Issue of shares	4	262	-	-	-	266
Share based payment expense	-	-	-	-	654	654
Total contributions by and distributions to owners	4	262	-	-	654	920
At 30 June 2016	**129**	**66,279**	**15,443**	**(644)**	**(33,375)**	**47,832**
	-	-	-			
At 1 January 2017	**129**	**66,280**	**15,443**	**(1,742)**	**(41,433)**	**38,677**
Loss for the period	-	-	-	-	(15,140)	(15,140)
Other comprehensive income	-	-	-	833	-	833
Loss and total comprehensive income for the period	-	-	-	833	(15,140)	(14,307)
Transactions with Owners recorded directly in equity:						
Issue of shares	3	410	-	-	-	413
Share based payment expense	-	-	-	-	997	997
Total contributions by and distributions to owners	3	410	-	-	997	1,410
At 30 June 2017	**132**	**66,690**	**15,443**	**(909)**	**(55,576)**	**25,780**

Consolidated statement of financial position

As at 30 June 2017

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Unaudited 31 December 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	**2,375**	889	1,588
Trade and other receivables	**1,682**	1,295	1,656
	4,057	2,184	3,244
Current assets			
Inventories	**7,281**	5,389	7,005
Derivative financial instruments	**-**	900	705
Trade and other receivables	**1,856**	1,905	1,830
Current tax asset	**-**	807	-
Investments – bank deposits	**9,983**	21,553	9,959
Cash and cash equivalents	**6,220**	17,870	18,975
	25,340	48,424	38,474
Total assets	**29,397**	50,608	41,718
Liabilities			
Non-current liabilities			
Deferred tax	**(39)**	(22)	(39)
Current liabilities			
Trade and other payables	**(3,521)**	(2,754)	(3,002)
Derivative financial instruments	**(57)**	-	-
	(3,578)	(2,754)	(3,002)
Total liabilities	**(3,617)**	(2,776)	(3,041)
Net assets	**25,780**	47,832	38,677
Equity			
Share capital	**132**	129	129
Share premium	**66,690**	66,279	66,280
Merger reserve	**15,443**	15,443	15,443
Foreign currency translation reserve	**(909)**	(644)	(1,742)
Accumulated losses	**(55,576)**	(33,375)	(41,433)
Total equity	**25,780**	47,832	38,677

Consolidated statement of cash flows
For the six months ended 30 June 2017

	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Unaudited 17 months to 31 December 2016 £000
Operating activities			
Loss before tax	**(15,140)**	(7,048)	(21,125)
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	**273**	113	372
Share based payment	**997**	654	1,232
Increase in inventories	**(1,647)**	(302)	(3,957)
Increase in trade and other receivables	**(171)**	(1,395)	(2,424)
Increase/(decrease) in trade and other payables	**1,890**	(1,351)	(663)
Finance income	**(84)**	(1,153)	(1,225)
Finance expense	**762**	-	-
Cash used in operations	**(13,120)**	(10,482)	(27,790)
Taxes refunded	**-**	110	1,380
Net cash outflow used in operations	**(13,120)**	(10,372)	(26,410)
Investing activities			
Finance income	**85**	253	520
Cash withdrawn from/(placed on) deposits with more than 3 months maturity	**(24)**	9,992	(8,420)
Purchases of property, plant and equipment	**(69)**	(271)	(811)
Net cash (outflow)/inflow from investing activities	**(8)**	9,974	(8,711)
Financing activities			
Proceeds from issue of share capital, net of costs	**413**	266	38,133
Net cash inflow from financing activities	**413**	266	38,133
(Decrease)/increase in cash and cash equivalents	**(12,715)**	(132)	3,012
Cash and cash equivalents at start of year	**18,975**	17,961	15,913
Effect of exchange rate fluctuations on cash held	**(40)**	41	50
Cash and cash equivalents at end of the period	**6,220**	17,870	18,975

Notes to the financial statements

For the six months ended 30 June 2017

1. General information

The principal activity of Xeros Technology Group plc ("the Company") and its subsidiary companies (together "Xeros" or the "Group") is the development and commercialisation of patented polymer based technologies with multiple potential commercial applications.

Xeros Technology Group plc is domiciled in the UK and incorporated in England and Wales (registered number 8684474), and its registered office address is Unit 2 Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, S60 5BL. The Company's principal activity is that of a holding company.

The interim financial information was approved for issue on 26 September 2017.

2. Basis of preparation

The interim financial information has been prepared under the historical cost convention and in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRIC interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The interim financial information has been prepared on a going concern basis and is presented in Sterling to the nearest £'000.

The accounting policies used in the financial information are consistent with those used in the prior year. The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 2 *Share-based Payment* Amendments to clarify the classification and measurement of share-based payment transactions effective 1 January 2018
- IFRS 9 *Financial Instruments* effective 1 January 2018
- IFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018
- IFRS 16 *Leases* effective 1 January 2019
- IFRS 17 *Insurance Contracts* effective 1 January 2021
- IAS 1 *Presentation of Financial Statements* Amendments as result of the Disclosure initiative effective 1 January 2017
- IAS 7 *Statement of Cash Flows* Amendments as result of the Disclosure initiative effective 1 January 2017
- IAS 12 *Income Taxes* Amendments regarding the recognition of deferred tax assets for unrealised losses effective 1 January 2017
- IAS 40 *Investment Property* Amendments to clarify transfers or property to, or from, investment property effective 1 January 2018

Further IFRS standards or interpretations may be issued that could apply to the Group's financial statements for the year ending 31 December 2017. If any such amendments, new standards or interpretations are issued then these may require the financial information provided in this report to be changed. The Group will continue to review its accounting policies in the light of emerging industry consensus on the practical application of IFRS.

The preparation of financial information in conformity with the recognition and measurement requirements of IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

The interim financial information does not include all financial risk management information and disclosures required in annual financial statements. There have been no significant changes in any risk or risk management policies since 31 December 2016. The principal risks and uncertainties are largely unchanged and are as disclosed in the Annual Report for the 17-month period ended 31 December 2016.

The interim financial information for the six months ended 30 June 2017 and for the six months ended 30 June 2016 do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006 and is unaudited. The comparative figures for the 17-month period ended 31 December 2016 are not the Group's consolidated statutory accounts for that financial year. Those accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

3. Taxation

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Unaudited Period ended 31 December 2016 £'000
Current tax:			
Foreign taxes paid	**-**	6	20
R & D tax credits	**-**	(923)	(923)
Deferred tax charge	**-**	-	17
Total tax credit	**-**	(917)	(886)

The Group has not recognised a deferred tax asset in the consolidated statement of financial position in respect of accumulate trading losses due to the uncertainty in the timing of their crystallisation.

The Group accounts for Research and Development Tax Credits where there is certainty regarding HMRC approval.

4. Segmental analysis

The Group currently has one operating segment. Revenue and losses arising from that segment are the same as presented on the face of the consolidated statement of profit or loss and other comprehensive income.

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders by the weighted average number of shares in issue during the period. The Group was loss-making for the 6-month periods ended 30 June 2017 and 30 June 2016 and also for the 17-month period ended 31 December 2016. Therefore, the dilutive effect of share options has not been taken account of in the calculation of diluted earnings per share, since this would decrease the loss per share reported for each of the periods reported.

The calculation of basic and diluted loss per ordinary share is based on the loss for the period, as set out below.

	Loss for the period £'000	Weighted average number of shares in issue	Loss per share (pence)
Six months ended 30 June 2017	**(15,140)**	**87,218,501**	**(17.36)p**
Six months ended 30 June 2016	(6,131)	85,377,365	(7.18)p
17 months ended 31 December 2016	(20,239)	80,839,504	(25.04)p

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

	6 months to 30 June 2017 Number of shares	6 months to 30 June 2016 Number of shares	17 months to 31 December 2016 Number of shares
Issued ordinary shares at beginning of period	**86,021,911**	83,403,990	65,504,879
Effect of shares issued for cash during the period	**1,192,590**	1,973,375	15,334,625
Weighted average number of shares for the period	**87,218,501**	85,377,365	80,839,504

6. Details of events occurring after the reporting period

On the 11 July 2017, the Group announced the acquisition of MarKen PPE Restoration which provides personal protection equipment cleaning, inspection and repair services from a facility in Nevada, USA. MarKen was acquired for an initial cash consideration of US$750,000 with a further contingent cash consideration of up to US$250,000, subject to certain growth targets.

For the year ended 30 April 2017, MarKen generated revenues of US$686,000, generating an EBITDA loss of US$72,000. As at 30 April 2017 gross assets were US$89,000. Management believe that as a result of Xeros' ownership the MarKen business will be profitable going forwards.

7. Seasonality

The Group experiences no material variations due to seasonality.

8. Availability of interim statement

This interim statement will be available on Xeros' website at www.xerostech.com.

Forward-looking statements

This announcement may include certain forward-looking statements, beliefs or opinions, including statements with respect to Xeros' business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by the Xeros Directors in good faith based on the information available to them at the date of this announcement and reflect the Xeros Directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in government policies, spending and procurement methodologies, and failure in health, safety or environmental policies.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and Xeros and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. No statement in the announcement is intended to be, or intended to be construed as, a profit forecast or to be interpreted to mean that earnings per Xeros share for the current or future financial years will necessarily match or exceed the historical earnings. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.