

REGISTERED NUMBER: 11354408 (England and Wales)

**XEINADIN GROUP LIMITED
STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

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XEINADIN GROUP LIMITED

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FOR THE YEAR ENDED 31 MAY 2021**

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XEINADIN GROUP LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2021**

DIRECTORS:

J D Lee
A C Crawford
D Crowley
J Wall
Mrs P Benolt
Mrs S M Clarke
A S Marsh
M H Burgess
R G W Williams
S O Nice

SECRETARY:

J D Lee

REGISTERED OFFICE:

8th Floor
Becket House
36 Old Jewry
London
EC2R 8DD

REGISTERED NUMBER:

11354408 (England and Wales)

AUDITORS:

BDO LLP
55 Baker Street
London
W1U 7EU

XEINADIN GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2021

The Directors present their Strategic Report for the year ended 31 May 2021.

BUSINESS STRATEGY

Xeinadin is a leading professional services platform providing a full suite of accountancy, tax and other business advisory services to entrepreneurs, SME's, corporations and not-for-profit organisations situated throughout the United Kingdom (UK) and the Republic of Ireland (ROI). Through unmatched collaboration and innovation, we support and inspire clients to reach their strategic business goals or accomplish the mission of their organisation.

Our focus is on SME market clients and currently we advise over 60,000 clients across a wide range of sectors. Our vision is to be the most trusted business advisor and accountant for small and medium sized enterprises. Xeinadin interacts as a trusted advisor, partner and support network delivering an innovative approach blending our technical and specialist knowledge together with technology to provide data driven advice to clients in a local environment.

FORMATION AND CORPORATE ACTIVITY

The Group was formed on 1 June 2019 by the combination of 115 small and medium sized accountancy practices. In the intervening two years the business combination in its new corporate environment has traded very successfully. A small number of member offices took the decision to exit the Group either via the voluntary exit window or as allowed by the Xeinadin Board. In the year to 31 May 2021 nine member offices (2020: four) exited the Group, mostly because they were not suited to or did not appreciate the benefits arising from the corporate environment of the Group. The voluntary exit window is now closed and all member offices are committed to membership of the Group unless permission to leave is granted by the Xeinadin Group. The Group is exploring sources of funding which will enable the minority interests of the members to be acquired so that all the benefits of full consolidation can be pursued for the benefit of our clients. The Group is in negotiation with potential new target firms to join the Group and intends to pursue further opportunities over the next 12 months with the longer term objective of being a significant consolidator in the sector.

TRADING ENVIRONMENT

The year ended 31 May 2021 experienced the full impact of Covid 19 and the uncertainty in the business world deriving from Brexit. The Covid 19 pandemic and the series of lockdowns did have a significant impact on the business performance. In the first quarter many of our colleagues were furloughed resulting in reduced staff and a disruption to normal activity levels as many of our clients scaled back their own businesses. While the economy has proved extremely resilient and our revenues held up mainly very well, our offices in the travel and hospitality industry were impacted throughout the full year. Government support has helped almost all our clients to remain in business, but we have experienced a slowdown in workstreams such as filing accounts, particularly as Companies House extended deadlines with a resulting delay in revenue. However, this is not lost income as we expect to benefit from this backlog in this current financial year.

During the 2021 trading year our trusted advisory teams have provided invaluable support to our clients to help our clients access various Brexit and Covid supports. These supports were vital to our clients and this help has further strengthened that trusted relationship with them. Our team of advisors have shown extraordinary commitment and resilience having to move almost overnight to remote working and continue to provide a seamless service to clients. The use of video conferencing as a communication tool has played a vital role in communicating with clients but also internally in connecting the expertise and specialists within the Xeinadin Group.

BUSINESS REVIEW

Financial performance

Revenue for the year at £104.1m (2020 £110.3m) was in line with budget expectations, following a reforecast of the budget to take account of the pandemic effects. Excluding the impact of the exited offices, Group revenue for the year was constant, a very resilient performance bearing in mind as described above, the impact of the Covid 19 pandemic and in particular a delay in the normal accountancy and tax work due to filing deadline extensions.

The main measures of the Group's performance are Revenue, Operating Profit and Earnings before, non-trading items, Interest, Taxation, Depreciation and Amortisation (EBITDA). EBITDA for the year was £34.8m (2020 £39.9m). The reduction in EBITDA of £5.1m is due to the profit impact of the reduction in turnover of £7.3m, largely due to the exited firms and the effects of Covid 19, offset by an increase in other operating income.

EBITDA reconciled to profit after tax as follows	2021 £m	2020 £m
EBITDA	34.8	39.9
Amortisation of Intangible Fixed Assets	(9.4)	(10.2)
Depreciation of Tangible Fixed Assets/Right of Use Assets	(2.6)	(2.3)
Financial settlement	(3.1)	-
Interest	(0.3)	(0.3)
Loss on Disposal of Subsidiaries	(16.3)	(13.1)
Taxation	(8.4)	(4.4)
(Loss)/Profit after Taxation	(3.3)	9.8

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The loss for the year of £3.3m is after deducting £18.6m of non-trading and exceptional items in relation to the loss on disposal of nine subsidiaries (£18.3m loss on disposal, net of £0.8m release of deferred taxes on acquired intangibles) and financial settlement costs of £3.1m. The subsidiaries that left the Group had previously joined without cash consideration being paid and also left the Group for no consideration, further information is set out in note 6 and note 16. Further information on the financial settlement costs are set out in note 7.

As shown on page 14 the trading profit for the year amounts to £22.7m (2020: £27.4m) which as a percentage of turnover is 21.8% (2020: 24.8%). The reduced margin was as expected and as per budgeted assumptions as the employees who were historically partners in their own businesses moved towards market value salaries as employees of the business.

Trading profits excluding the exited firms i.e. on the basis of the 102 offices that remained in the business at the balance sheet date can be expressed as follows:

	2021	2020
	£m	£m
Revenue	100.8	100.0
EBITDA	34.2	36.3

The reduction in EBITDA of £2.1m is largely due to an increase in overall expenditure of £3.8m less the increase in other operating income of £1.2m. The increase in expenditure is largely due to the increase in salary costs as explained above.

Since the year end, the Group has continued to trade successfully with all key KPIs being materially maintained. There have been no further exits from the Group since year end.

Financial position

The consolidated statement of financial position on page 16 shows the Group financial position at the year end. The Group's financial position was considered strong in terms of working capital and cash and the Directors believe the Group to be well positioned for future growth.

The major changes in the Group's financial position during the year were as follows:

The movement in goodwill relates to additions made during the year of £0.5m, net of goodwill disposed of in respect of exited firms £9.9m.

Other intangibles show a reduction of £9.4m for amortisation and £4.9m in respect of the nine member firms exiting the Group.

Right of use assets includes new leases taken out during the year of £2.2m, net of depreciation and exchange differences of £2.0m and asset disposals of £0.7m.

The average credit period on trade receivables was 71 days (2020: 68 days) and for contract assets 38 days (2020: 34 days), the increase in the number of lockup days was largely due to the impact of Covid-19.

Trade and other payables show a reduction of £3.4m which was largely due to a reduction in accruals and other creditors payable of £2.9m.

The provision for deferred tax includes the release of £2.5m for disposals and amortisation, offset by an increase of £3.1m due to the enactment in tax rate to 25% from 1 April 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

Business risk

The Group is in the process of implementing a new hub structure comprising fourteen Regional Hubs across the UK and Ireland. This structure aims to optimise span of control and identify opportunities for both Revenue Growth and Cost Synergies.

Risk management is an important element of the management process throughout the Group, and internal controls have been developed and are continuously reviewed to address the principal business risk which is considered to be operational risk. The Group has a range of processes in place to accurately identify, control and mitigate risks across all areas of the business.

The Group's most important assets are its team members, clients and IT infrastructure.

- As a people led organisation Xeinadin supports its team members by developing, training and understanding them. During the current year the business has launched the "Evolve" programme a professional development training programme for all client facing teams.
- The needs of the Group's clients are continually reviewed to ensure that the Group meets its objective of providing an industry leading business advisory service.
- Xeinadin recognises the importance of safeguarding data, and we are continuously assessing our GDPR and security policies and procedures to ensure compliance.
- The Group recognises the importance of its IT infrastructure both internally and client facing and is building a roadmap to become industry leading through its investment in this area.
- Current economic conditions are being monitored closely but as Xeinadin is not reliant on any major clients or sectors, the Group has been extremely resilient to the impact of Covid 19.

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Management monitors other risks and uncertainties within the business. These include competition, and changes in regulation. Controls exist to ensure information is made available to enable management to monitor the performance of the Group. The controls address the performance of the Group based on monthly management accounts and key KPIs which include details of fee income and overhead costs. The business regularly monitors new business wins, client attrition and relies on monthly management accounts together with an annual budget and quarterly forecasting system to identify any trading downturn in time to carry out the necessary mitigating actions.

OTHER RISKS AND UNCERTAINTIES

Currency risk

The Group is not exposed to material currency risk as firms in the Republic of Ireland match both cash inflows and outflows in euros. There is less than 1% of the Group's income base which is not denominated in either sterling or euro currency, driving any currency volatility. Any foreign exchange impact reported in the financial statements is primarily due to translating the consolidated results of the Group into sterling at the balance sheet date.

Liquidity risk

The Group generates sufficient working capital to meet its requirements both in terms of organic and acquisition growth. The Group has minimal borrowings and cashflows are forecasted out over a minimum of three years ensuring sufficient funding to meet its strategic goals.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables are reviewed on a regular basis and where required; an impairment expected credit loss is provided. These assessments during the Covid 19 period have been completed using our best knowledge of the impact to the worst hit industries and our clients within those sectors.

Going concern

The Group's continued response to the Covid19 pandemic has been to protect the health and safety of its staff and partners through ongoing home working and liaising closely with clients to minimise overall business disruption. The business continues to monitor initiatives put in place in this regard, keeping people connected by continuing to offer additional online support for its staff and flexible working arrangements.

The Group continues to operate a low-risk business model with no significant business or customer concentration and continues to be successfully adaptable to home working. The Group continues to operate the Government support schemes in both the UK and Ireland, including the use of furlough, VAT and PAYE deferral arrangements, the terms of which have been complied with, see note 4 for details of Government grants received.

The Pandemic has continued to have a modest impact in the Group's performance over the past 12 months which can be summarised as follows:

1. Adversely impacting the liquidity of some member firms with payments slowing down across their respective client base,
2. A small number of firms continue to be exposed to sectors impacted by the longer-term effects of the pandemic, e.g., travel and hospitality.

The aggregate impact of the above was c 3% - 5% of Group turnover and an increase in working capital of up to £2m. The Group is not materially reliant on bank funding, given the strong cash generation of its member firms.

The Directors have prepared base case financial forecasts for the period April 2021 to November 2022 and these provide a good level of comfort in the assessment of liquidity for the Group. The uncertainty due to the impact of the Covid19 pandemic has continued to be considered and monitored closely in these forecasts as part of the Group's adoption of the going concern basis (further detail on stress-testing performed over the Group's future cash flows is given on page 24).

Brexit

The Group is not directly impacted by the changes arising from the UK leaving the European Union ('Brexit') and the Group's diverse client-base and sectors shields it from any indirect impact.

Future developments

The Group will continue to advance its strategic plan to become a leading advisory firm to the SME sector underpinned by a strong technology platform. The Group intends to seek acquisitions that will contribute to our strategic goal to grow the Group substantially over the future years. The Group will also grow organically via its implemented hub structure.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2021

GREENHOUSE GAS EMISSIONS

Xeinadin is a newly formed Group, and whilst reporting at a Group level for the financial year, has taken the option to exclude from the report, any energy and carbon information relating to its subsidiaries where the subsidiaries would not themselves be obliged to include if reporting on their own account. Xeinadin qualifies as a Consolidated Group, but no subsidiaries need to be included as they fall under the reporting thresholds.

Whilst there is currently no process in place at present to monitor the Group's greenhouse gas emissions, the business is intending to put in measures over the next 12 months to track its emissions in line with the guidelines set up under the 2018 Streamlined Energy and Carbon Reporting regulations (SECR). The Directors are committed in connection with the overall Group strategy on climate change and have put several measures in place outlined below to reduce its Carbon footprint over the coming financial years and to track this performance to evidence such plans.

Whilst no quantitative data is required for the publication of its financial statements under the Companies (Director's report) and Limited Liability Partnerships (Energy and Carbon report) Regulation 2018, in terms of CO2 tonnes generated and its Intensity calculations, the following measures have been deployed to support the Group's overall Climate Change initiatives. The business concurs that CO2 emissions in connection with its energy usage and business travel exist, which need to be managed and monitored accurately in the future.

The Group is in the process of signing up to the Science Based Target Initiative (SBTI) which is an internationally recognized programme designed to monitor and improve carbon footprint targets. Joining this program, which recognises the level of climate action needed globally to align to the Paris agreement and translates these into specific business targets, shows the Group's commitment to the world problems around climate change as well as setting a leadership example and guiding its clients accordingly on how they can adopt a greener approach to the way they operate in the future. This will further improve the Group's reputation, drive innovation, anticipate legislative changes, and ultimately reduce future business costs.

Xeinadin is aware of the threat of technological advancement and is currently developing forward thinking finance tools (product life cycle assessments, a sustainability ideas database and predictive tax and grant advice) to support and protect its current customer base in a changing environment. The business is looking to recycle its future IT equipment through a more circular supply chain as opposed to a linear approach and run change management courses to continually educate and reinforce its sustainability plans to its staff as well as its current and prospective clients.

Xeinadin is focused on the need to demonstrate its awareness of climate change to potential investors, by showing commitment to reduce its carbon footprint. More and more investors are backing environmentally conscious businesses and Xeinadin is targeting an annual reduction in its carbon footprint, including looking at investments which support its future sustainability strategy. This strategy extends beyond investment and focuses also on engaging with national Suppliers with vested interests in sustainability (carbon reduction initiative), aligned to the ISO 14001 accreditation and there's a clear intention to condense its supply chain around those like-minded suppliers. The business is planning to gain the ISO 14001 accreditation during the coming financial year.

The business offers its clients tax and grant advice (informing on the tax implications of environmental changes) as well as sharing its sustainability ideas with clients. By creating a proactive risk assessment tool for its clients, this will further raise awareness and connect to its client base to further add to the Group's intentions around sustainability.

The Group, as part of its continual improvement initiatives, is training both its team (creating Sustainability Consultants) and client base and is looking for sponsors to promote its mission around its carbon footprint objectives. These sponsors will champion the programme on behalf of the Group and focus on team awareness as well as change management strategies, including changes to its members' business models and operational processes.

The Group is aware of the effect of climate change on its financial performance. The directors accept other risks and opportunities under the TCFD guidance need to be considered. The directors remain focused on reducing the Group's carbon footprint through the several key initiatives set out above and will further support this by tracking its CO2 emissions over the coming financial years with improved reporting as part of both the SBTi and encouraging more environmentally friendly strategies. The directors will be setting up the processes and reporting required in order to create potential business opportunities with a low carbon strategy responding to climate change. Both client and future investor perception is critical, as part of the Group's strategy of reducing its future greenhouse gas emissions, driving both the business future profitability and future valuation.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2021

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a Director of a company to act in a way he or she considers in good faith would most likely provide the success of the company for the benefit of its members as a whole and in doing so, have regards (amongst other matters) to the following key areas of focus:

- a) The likely consequences of any decisions in the long term
- b) The interests of its employees
- c) The need to foster the company's business relationships with suppliers, customers, and other key stakeholders
- d) The impact of the company's operation on both the community and the environment
- e) The desirability of the company maintaining a reputation for high standards of business conduct and
- f) The need to act fairly between all members of the company

In adherence to their duty under s172, the Directors have considered the above factors and consider the interests of all relevant stakeholders when making decisions on behalf of the Group. This has been set out below under the following subheadings:

The likely consequences of any decisions in the long term

The Xeinadin Group Ltd is a group of 102 accountancy firms and its principal activity is to service those companies in the group, who in turn offer a range of tailored advisory services to their diverse client base. The Group considers the success of the business is not just down to its financial performance, but the social and environmental impact of its operation is equally important. As a UK and Ireland professional services business, the Group aims to:

- continuously develop the workplace for its employees through long term succession planning, ensuring talent retention and knowledge development by bringing up the next wave of pivotal staff.
- provide sustainable growth through responsible and innovative business practices through development of interactive systems and training. The business offers its clients tax and grant advice around sustainability, creating a proactive risk assessment tool for its clients, raising awareness and connecting to its client base, to further add to client awareness on various environmental, commercial and social matters. The business is continuously looking for more forward-thinking solutions as well as developing its BI systems at a Group level to provide more informed, responsive solutions for its clients.
- positively engage with all communities in which the Group operates through a range of both charitable and fund-raising activities.

There are Group policies and procedure in place to ensure the business succeeds in meeting its key performance indicators and it integrates responsible business practice through its clear management structure.

The interests of its employees

The Group places considerable value on the participation and involvement of all its directors and employees and has various channels of communication for engagement. The succession planning internally is being used to build up the next layer for bringing in after the retirement of key Directors. The business is rolling out the Evolve programme to keep their staff abreast of the latest knowledge and empower their skillset to provide leading advice to their clients.

Employees continue to be at the heart of the business, all of whom play a pivotal part in the business continuing efforts to be at the forefront of the professional services industry, through offering leading industry service and expertise. During the year, regular meetings are held between management and its employees to communicate the financial performance and business strategy. Employees are regularly consulted to obtain their views on all matters affecting them and by doing so are aware of the financial, social and economic factors affecting the performance of the company.

The need to foster the company's business relationships with customers, suppliers and other key stakeholders

The Group has processes and procedures in place to ensure that its suppliers are paid promptly and within agreed payment terms.

Strong client relations are achieved through receiving regular client feedback and the Group's ongoing commitment to delivering excellent customer service through a clear, solutions orientated approach.

Ongoing engagement and implementation of all regulatory requirements help the Group develop and maintain open and transparent relationships with all its regulators. Regular assurance reviews are carried out by the relevant professional institutes as part of ensuring the company's fairness and professional conduct in managing all client complaints and that these are dealt with on a timely basis.

XEINADIN GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2021

The impact of the company's operation on both the community and the environment

The Group is committed to promoting the conservation of natural resources, preventing environmental pollution, and is continually improving its performance through its ongoing sustainability programme (See carbon emissions disclosure). The Group regards environmental regulations, laws and codes of practice as the minimum standard that it should aim for and works towards exceeding these benchmarks.

The Group supports its corporate responsibility through all its subsidiary firms and actively encourages both directors and its staff to participate in its responsibility code.

The desirability of the company to maintain a reputation for high standards of business conduct

The Group is purpose led, helping its clients, its people, and its communities to all thrive. The Group strategy is built around a set of core values embedded into its operations and culture, which in turn guides the balanced decisions made by the directors of the Group. The Group's compliance with regulations (including various accountancy bodies), further supports the adherence to the highest standards of conduct and ethics.

The appointment of an experienced board, balanced with three non-executive directors to oversee the development of the future strategy and ensure growth is pursued in a sustainable and responsible manner, further supports the Group's compliance to the highest code of behaviours.

The signing by subsidiary firms to the Consolidation and Membership agreements, defines the behaviours and actions that the subsidiary firms must live by.

The need to act fairly between members of the company

The company is owned by the Xeinadin Group of which its directors are members. The Management structure, with control at a Group level, ensures the interests of all Group entities are very closely aligned, with subsidiary firms required to abide by the terms of internal Consolidation and Membership agreements, to ensure standards are being upheld and behaviours are in alignment with the Xeinadin practice.

As a result, the transactions between the company and other member firms of the Group are carried out at both an arm's length and on a commercial basis. There is a Group-wide growth mentality that supports the referral processes being used openly and honestly, to ensure that work is being properly passed over to the requisite member firms who are best placed to deal with it.

ON BEHALF OF THE BOARD:


.....
D Crowley, Director

Date: 18 November 2021
.....

XEINADIN GROUP LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2021

The directors present their report with the financial statements of the company and the Group for the year ended 31 May 2021.

DIVIDENDS

The directors do not recommend payment of a dividend in respect of the year ended 31 May 2021 (2020: none).

FUTURE DEVELOPMENTS

The details of likely future developments in the Group's business are disclosed on page 4 of the Strategic Report.

GOING CONCERN

The financial statements are prepared on a going concern basis. The reasons for adopting this basis are disclosed on page 4 of the Strategic Report.

EVENTS SINCE THE END OF THE YEAR

Since the statement of financial position date, the Group has continued to successfully navigate the business through the Covid-19 pandemic and related lockdowns. The Group is in advanced negotiations with a number of accountancy practices to acquire those practices as part of the Xeinadin Group. The Xeinadin Group expects to fund the acquisition of these entities by an equity transaction.

Tax rates with effect from 1 April 2023 are expected to rise to 25% in accordance with the fact that the Finance Bill has received royal assent. Given the substantive enactment of this tax rate on 24 May 2021, the deferred tax balance (see note 23) has been re-measured by £3.1m to factor in the impact of the higher rate.

In October 2021, the Group successfully agreed the purchase of 100% of the share capital of a target company to join the Xeinadin Group, on the basis of total cash consideration payable of £2m. £1m will be payable by end of March 2022 and two further instalments of £0.5m will be payable on the first and second anniversaries of the initial payment date. Given the proximity of this event to the date of signing these financial statements, management have not yet conducted a purchase price allocation exercise on the acquisition.

Further potential acquisitions have been targeted and are at varying stages, including 3 entities that have agreed Heads of Terms with the Group.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2020 to the date of this report.

J D Lee
A C Crawford
D Crowley
J Wall
Mrs P Benoit
Mrs S M Clarke

Other changes in directors holding office are as follows:

N D Bennett - resigned 31 March 2021
J L V Beressi - resigned 8 February 2021
A S Marsh - appointed 24 March 2021
M K Kingston - appointed 24 March 2021

M H Burgess, R G W Williams and S O Nice were appointed as directors after 31 May 2021 but prior to the date of this report.

P C Matthews, R J Stebbings and M K Kingston ceased to be directors after 31 May 2021 but prior to the date of this report.

DIRECTORS INDEMNITIES

The directors are covered by appropriate director's liability insurance maintained by Xeinadin Group Limited, the ultimate parent company and are also indemnified in the company's Articles of Association.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to several financial risks, including price risk, credit risk, liquidity risk, cash flow risk and currency risk.

XEINADIN GROUP LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2021

Price risk

The directors and management work hard to grow and develop the Group and maintain strong relationships with both the Group's partners and customers. However, the Group faces industry wide risks in the form of both competition and legislation. The Group is still competing against smaller accountancy firms so must ensure its pricing is appropriate to such markets. Offering a local service with emphasis on client satisfaction mitigates some of the risk. The directors continue to manage such risks through regular reviews at monthly board meetings.

Credit risk

The Group's financial assets are cash, trade and other receivables, contract assets and investments. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of provisions for doubtful receivables. An allowance is made for expected credit losses based on a combination of past losses taken over a window of data of two years, split by industry/sector of the client base serviced by each Xeinadin Group firm. The allowance then includes a specific uplift provision for the forward-looking element of the industry/sector and the risk to collection that this faces in the wake of macroeconomic events, which is a judgemental decision by each Xeinadin Group firm depending on its exposure to those sectors.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of cash held and minimal debt financing. Further details regarding liquidity risk can be found on page 4 of the Strategic Report.

Cash flow risk

Cash flow risk is primarily mitigated by a central collection process and statistics monitored by the Group finance team which prevents debts from becoming significantly aged. Regular updates with the member firms ensures the required feedback and any relevant actions to take, to ensure the Group mitigates any significant debts from becoming uncollectable.

Currency risk

The Group is not exposed to material currency risk as the ROI firms match both cash inflows and outflows in euros. There is less than 1% of the Group's income base which is not denominated in either sterling or euro currency, ultimately driving any currency volatility.

Streamlined Energy and Carbon Reporting (SECR)

The Group is aware of the effect of climate change on its financial performance. The directors accept other risks and opportunities need to be considered as part of encouraging more environmental strategies. In terms of regulated reporting the parent company, Xeinadin Group Limited acknowledges it generates less than the specified 40,000 kwh of outputs. Further details regarding greenhouse gas emissions can be found on page 5 of the Strategic Report.

EMPLOYEE INVOLVEMENT

The Xeinadin Group operates an equal opportunities policy that aims to ensure all employees are treated fairly across the Group. The Group places considerable value on the participative involvement of its directors and employees and has various channels of communication and engagement. During the year, regular meetings are held between management and its employees to communicate the performance of the Group and business strategy. Employees are regularly consulted on matters affecting them and by doing so are aware of the financial, social and economic factors affecting the performance of the Group.

The Group gives full and fair consideration to the application for employment from disabled persons where the requirement of the job may be adequately covered by a disabled person. With regards to existing employees who become disabled, the Group has continued to explore ways of providing continuing employment under normal terms and conditions. Disabled persons are offered the same opportunities regarding training, career progression and promotion.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

XEINADIN GROUP LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2021**

- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when the Directors report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Group auditors are unaware and,
- the directors have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information, and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


D Crowley - Director

Date: 18 November 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEINADIN GROUP 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 May 2021 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Xeinadin Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2021 which comprise the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cashflows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, report of the Directors 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 report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the report of the Directors have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XEINADIN GROUP LIMITED

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 and the report of the Directors.

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.

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:

- We conducted detailed testing of journals across the top 19 entities within the Group, focussing on audit of journals with parameters outside of normal expectations from revenue postings and transactions with minority owners of the Group;
- We tested consolidation adjustments posted to ensure that these were reasonable and expected, and where these exceeded a certain threshold, were corroborated to supporting documentation provided by Management;
- We performed testing on specific cash payments in the year to identify any fraudulent extraction of funds from the audited components of the business;
- The audit team considered Management's judgments, utilising data available to support and challenge judgments made respectively, and considering whether any overall bias existed within accounting judgments and estimates made by Management in preparing the Group's financial statements;
- The audit team obtained a register of all potential negligence claims (or otherwise) against the Group based on current circumstances and challenged a number of these to obtain a view on their likely outcome to the Group, in addition to establishing whether these were indicative of fraud in relation to the Group's compliance framework with regulatory bodies and otherwise;
- The audit team's approach to revenue involved specific focus on challenging assessments and assumptions made around accounting for accrued income balances at the year-end by challenging to time sheets and evidence of milestone completions, in addition to testing of cut-off around year-end to identify any material issues with revenue recognition around the year-end which is considered to be most open to Management judgment;
- We conducted testing of employee costs to testing of existence of those employees to ensure validity of costs incurred in relation to employee wages and salaries;
- We performed testing around transactions with Directors and previous Practice Companies to ensure that no material fraud was occurring in respect of transactions being undertaken directly with Directors; and,
- In the case of our work on each of the individual subsidiaries, enquiries were made with the nominated Management contact in each case to consider whether there had been any material breaches of compliance or regulations in respect of regulatory bodies applicable to the Group.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
XEINADIN GROUP LIMITED**

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. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Andrew Radford

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Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date:

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

18 November 2021

Date:

XEINADIN GROUP LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MAY 2021**

		2021			2020		
	Notes	Trading items £'000	Non-trading and exceptional items £'000	Total £'000	Trading items £'000	Non-trading and exceptional items £'000	Total £'000
CONTINUING OPERATIONS							
Revenue	3	104,123	-	104,123	110,289	-	110,289
Other operating income	4	2,474	-	2,474	1,301	-	1,301
Staff costs	5	(50,580)	-	(50,580)	(50,106)	-	(50,106)
Depreciation and amortisation	8	(12,007)	-	(12,007)	(12,523)	-	(12,523)
Other operating expenses		(21,263)	(3,099)	(24,362)	(21,566)	-	(21,566)
Loss on disposal of subsidiaries	6	-	(16,257)	(16,257)	-	(13,083)	(13,083)
OPERATING PROFIT	8	22,747	(19,356)	3,391	27,395	(13,083)	14,302
Finance costs	9	(350)	-	(350)	(317)	-	(317)
Finance income	9	9	-	9	6	-	6
PROFIT BEFORE TAXATION		22,406	(19,356)	3,050	27,084	(13,083)	13,991
Taxation	10	(7,194)	831	(6,363)	(4,888)	505	(4,384)
(LOSS)/PROFIT FOR THE YEAR		15,212	(18,525)	(3,313)	22,215	(12,588)	9,627
Profit attributable to:							
Owners of the parent		4,647	(6,762)	(2,115)	7,809	(2,035)	5,774
Non-controlling interests		10,565	(11,763)	(1,198)	14,406	(10,553)	3,853
		15,212	(18,525)	(3,313)	22,215	(12,588)	9,627

The notes form part of these financial statements

XEINADIN GROUP LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2021**

	Notes	2021 £'000	2020 £'000
(LOSS)/PROFIT FOR THE YEAR		(3,313)	9,827
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that will or may be reclassified to profit or loss:			
Exchange (loss)/gain on consolidation		<u>(349)</u>	<u>907</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAXATION		<u>(349)</u>	<u>907</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(3,662)</u>	<u>10,634</u>
Total comprehensive (loss)/income attributable to:			
Owners of the parent		<u>(2,115)</u>	<u>5,774</u>
Non-controlling interests		<u>(1,547)</u>	<u>4,760</u>
		<u>(3,662)</u>	<u>10,534</u>
Earnings per share expressed in pounds per share:	12		
Basic		<u>(988)</u>	<u>2,531</u>
Diluted		<u>(988)</u>	<u>2,531</u>

The notes form part of these financial statements

XEINADIN GROUP LIMITED (REGISTERED NUMBER: 11354408)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MAY 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	194,751	204,021
Other intangible assets	14	64,344	78,559
Property, plant and equipment	15	1,436	1,585
Right-of-use assets	15, 21	<u>9,137</u>	<u>9,658</u>
		269,668	293,821
CURRENT ASSETS			
Trade and other receivables	17	23,781	23,887
Contract assets	3	10,713	10,288
Cash and cash equivalents	18	<u>18,267</u>	<u>16,143</u>
		52,761	50,318
TOTAL ASSETS		<u>322,429</u>	<u>344,139</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	18,944	23,315
Contract liabilities	3	3,331	2,214
Lease liabilities	21	1,800	2,082
Loans and borrowings	20	603	646
Tax payable		<u>2,892</u>	<u>3,905</u>
		26,570	32,162
NON-CURRENT LIABILITIES			
Lease liabilities	21	7,795	7,793
Loans and borrowings	20	975	975
Deferred tax	23	<u>14,538</u>	<u>13,928</u>
		23,308	22,696
TOTAL LIABILITIES		<u>51,878</u>	<u>54,858</u>
NET ASSETS		<u>270,551</u>	<u>289,281</u>


The notes form part of these financial statements

XEINADIN GROUP LIMITED (REGISTERED NUMBER: 11354408)

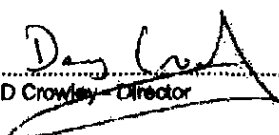
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
31 MAY 2021

SHAREHOLDERS' EQUITY			
Called up share capital	24	-	-
Share premium	25	113,113	113,113
Reverse acquisition reserve	25	(15)	(15)
Retained earnings	25	<u>3,659</u>	<u>5,774</u>
Total equity		116,757	118,872
Non-controlling interests		<u>153,794</u>	<u>170,409</u>
TOTAL EQUITY		<u>270,551</u>	<u>289,281</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2021 and were signed on its behalf by:



 S Nica - Director



 D Crowley - Director

The notes form part of these financial statements

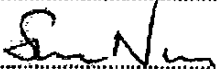
XEINADIN GROUP LIMITED (REGISTERED NUMBER: 11354408)

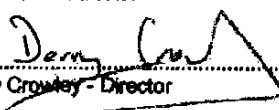
COMPANY STATEMENT OF FINANCIAL POSITION
31 MAY 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	30	2
Investments	16	<u>113,113</u>	<u>113,113</u>
		<u>113,143</u>	<u>113,116</u>
CURRENT ASSETS			
Trade and other receivables	17	806	279
Contract assets		-	338
Cash and cash equivalents	18	<u>279</u>	<u>247</u>
		<u>1,085</u>	<u>864</u>
TOTAL ASSETS		<u>114,228</u>	<u>113,979</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	1,124	807
Loans and borrowings	20	-	49
Tax payable		<u>1</u>	<u>1</u>
		<u>1,125</u>	<u>857</u>
NON-CURRENT LIABILITIES			
Deferred tax	23	<u>5</u>	-
TOTAL LIABILITIES		<u>1,130</u>	<u>857</u>
NET ASSETS		<u>113,098</u>	<u>113,122</u>
SHAREHOLDERS' EQUITY			
Called up share capital	24	-	-
Share premium	25	113,113	113,113
Retained earnings	25	<u>(15)</u>	<u>9</u>
TOTAL EQUITY		<u>113,098</u>	<u>113,122</u>

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(23,188) (2020 - £6,441 profit).

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2021 and were signed on its behalf by:


S Nice - Director


D Crowley - Director

The notes form part of these financial statements

XEINADIN GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MAY 2021**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Reverse acquisition Reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 31st May 2019	-	18	-	-	18	-	18
Changes in equity							
Total comprehensive income	-	5,774	-	(15)	5,759	4,760	10,519
Total comprehensive income for the Year	-	5,774	-	(15)	5,759	4,760	10,519
Issue of share capital Dividends	-	-	-	-	-	(12,018)	(12,018)
Contributions by and distributions to Owners	-	-	-	-	-	(12,018)	(12,018)
Business combinations	-	(18)	113,113	-	113,095	177,967	290,762
Balance at 31st May 2020	-	5,774	113,113	(15)	118,872	170,409	289,281
Changes in equity							
Total comprehensive loss for the year	-	(2,115)	-	-	(2,115)	(1,547)	(3,662)
Total comprehensive loss for the year	-	(2,115)	-	-	(2,115)	(1,547)	(3,662)
Issue of share capital Dividends	-	-	-	-	-	(15,068)	(15,068)
Contributions by and distributions to owners	-	-	-	-	-	(15,068)	(15,068)
Balance at 31st May 2021	-	3,659	113,113	(15)	116,757	153,794	270,551

The notes form part of these financial statements

XEINADIN GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2021**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 June 2019	-	3	-	3
Changes in equity				
Total comprehensive income	-	6	-	6
Business combinations	-	-	113,113	113,113
Balance at 31 May 2020	-	9	113,113	113,122
Changes in equity				
Total comprehensive loss	-	(24)	-	(24)
Balance at 31 May 2021	-	(15)	113,113	113,098

The notes form part of these financial statements

XEINADIN GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2021**

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit before taxation	3,050	13,991
Depreciation and amortisation charges	12,007	12,497
(Profit)/loss on disposal of fixed assets	(7)	10
Loss on disposal of subsidiaries	18,257	13,083
Finance costs	350	317
Finance income	<u>(9)</u>	<u>(6)</u>
	31,648	39,902
Decrease/(increase) in trade and other receivables	(1,721)	(18,632)
Increase in contract assets	(1,886)	(2,926)
(Decrease)/Increase in trade and other payables	(1,374)	12,540
Increase in contract liabilities	<u>1,117</u>	<u>803</u>
	27,984	31,687
Interest paid	(18)	(23)
Lease interest paid	(332)	(284)
Tax paid	<u>(6,354)</u>	<u>(2,639)</u>
Net cash generated from operating activities	<u>21,280</u>	<u>28,731</u>
Cash flows from investing activities		
Purchase of trade and assets from business combinations	(582)	-
Purchase of tangible fixed assets	(586)	(716)
Purchase of fixed asset investments	-	(108)
Sale of tangible fixed assets	34	1
Sale of fixed asset investments	-	100
Net cash disposed of on loss of control of subsidiaries	(707)	-
Interest received	<u>9</u>	<u>6</u>
Net cash expended in investing activities	<u>(1,822)</u>	<u>(717)</u>
Cash flows from financing activities		
New loans in year	440	1,713
Loan repayments in year	(482)	(91)
Lease liability repayments in year	(1,756)	(1,644)
Amount withdrawn by directors	-	(18)
Dividends to non-controlling interests	<u>(15,068)</u>	<u>(12,018)</u>
Net cash expended in financing activities	<u>(16,866)</u>	<u>(12,055)</u>
Increase in cash and cash equivalents	<u>2,692</u>	<u>15,959</u>
Cash and cash equivalents at beginning of year	16,143	71
Effect of foreign exchange rate changes	<u>(488)</u>	<u>113</u>
Cash and cash equivalents at end of year	<u>18,267</u>	<u>16,143</u>

The notes form part of these financial statements

XEINADIN GROUP LIMITED

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2021**

	2021 £'000	2020 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	(18)	8
Dividend income	<u>(3,056)</u>	<u>-</u>
	(3,074)	8
(Increase)/decrease in trade and other receivables	(528)	334
Decrease/(increase) in contract assets	338	(338)
Increase in trade and other payables	318	531
Decrease in contract liabilities	-	(423)
Tax paid	<u>-</u>	<u>(2)</u>
Net cash (expended in)/from operating activities	<u>(2,946)</u>	<u>110</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(28)	(2)
Dividends received	<u>3,056</u>	<u>-</u>
Net cash from investing activities	<u>3,027</u>	<u>(2)</u>
Cash flows from financing activities		
Loan repayments in year	<u>(49)</u>	<u>(2)</u>
Net cash from financing activities	<u>(49)</u>	<u>(2)</u>
	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	32	106
Cash and cash equivalents at beginning of year	247	141
	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>279</u>	<u>247</u>

The notes form part of these financial statements

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

1. STATUTORY INFORMATION

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

Sections 479A and 479C subsidiary companies audit exemption: parent undertaking declaration of guarantee

Xeinadin Group Limited, the parent company, has undertaken to guarantee all outstanding liabilities to which its UK subsidiaries are subject to at the end of the financial year, ending on 31 May 2021. This guarantee applies until a) they are satisfied in full, b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary is liable in respect of those liabilities and c) relates only to the year under guarantee.

The exemption applies to all UK subsidiaries listed in note 16.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The results of the Group are expressed in £ Sterling, which is the Group's presentational currency since the majority of services, income, costs and underlying staff are dictated by the economic environment of the United Kingdom. The policy on foreign currency on page 27 discusses the method by which subsidiaries in differing functional currencies are converted into the presentational currency of £ sterling for the purposes of presenting the consolidated financial statements.

Basis of consolidation

The Group financial statements consolidate those of the Company and its Subsidiaries (together referred to as 'the Group'). Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the day that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

Reverse acquisition:

IFRS 3 applies to a transaction that meets the definition of a business combination i.e. a transaction in which an acquirer obtains control of one or more business.

On 1 June 2019, Xeinadin Group Limited (XGL) via its 100% owned subsidiaries became the legal acquirer of part of the issued share capital of 115 subsidiary companies based in United Kingdom and Republic of Ireland. The share interests were obtained by means of a share for share exchange. XGL was newly formed for the purpose of bringing the group together. IFRS 3 App B paragraph B18 states if a new entity is formed to issue equity interests to affect a business combination, one of the combining entities that existed prior to the business combination shall be identified as the acquirer by using the guidance in paragraph B13 to B17. These include:

- Relative voting rights of each combined entity
- Existence of a single large minority interest
- Composition of the governing body of the combined entity
- Senior management of the combined entity
- Relative size
- Terms of exchange of the equity interest

Based on the above factors, Crowley & McCarthy Accountancy Limited ('CMC') has been identified as the accounting acquirer. This is known as a reverse acquisition where XGL issues the securities (legal acquirer) but is identified as the acquiree for accounting purposes.

The combination of XGL and the other subsidiaries has been accounted for using the acquisition method.

Where a subsidiary is sold or no longer under Group control, an element of the acquisition date goodwill, net of any impairments, is included in determining the profit or loss on disposal.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES – continued

Going concern

The accounts are prepared on a going concern basis as at the time of approving the financial statements the Directors having reassessed the principal risks and uncertainties have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future. In excess of 90% of the Group revenues are recurring which underpins a strong trading performance. The Group is cash generative and is financed by a combination of cash reserves and cash flow generated from trading. The costs of the HQ function are billed to and paid by member firms. A key assumption in determining Going Concern is that substantially all the 102 firms consolidated within the forecast remain within the Group over the forecast period. The exit window is now closed to all subsidiaries within the Group.

In the period since the pandemic arose and the UK & Ireland entered lockdown at the end of March 2020, the Group has seen a relatively minor reduction in Revenues but overall has continued to trade profitably and cash generation has remained strong. The Directors have considered a base case forecast to November 2022 which excludes acquisition spend or changes in Capital Structure and Funding. The resilience of the Group to a range of possible downside scenarios was factored into the directors' considerations through stress testing the Forecast with reductions in Revenue of 10% and 20% respectively. The Group demonstrated that it could withstand both a material and prolonged decrease in revenue and maintain a positive cashflow. The Group continued to pay Dividends under both scenarios albeit at a reduced rate. In both Scenarios there was significant cash headroom without taking any additional mitigating steps. Applying a reverse stress test which identifies the break point in the Group's cash generation, Group revenues would need to fall by 31%. In the context of current trading conditions and year to date performance against budget post-year-end, the Directors consider this to be an unlikely eventuality.

Accordingly, the Directors continue to adopt the going concern basis in preparing the strategic report, directors report and accounts.

Revenue recognition

Revenue is measured as the fair value of consideration received or receivable for satisfying performance obligations contained in contracts with clients, including expenses and disbursements but excluding discounts and Value Added Tax.

Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal will not be required when the uncertainties determining the level of variable consideration are subsequently resolved. Revenue is recognised when or as the Group satisfies performance obligations by transferring control of services to clients. This occurs as follows for the Group's various contract types:

Time-and-materials contracts are recognised over time as services are provided at the fee rate agreed with the client where there is an enforceable right to payment for performance completed to date.

Fixed-fee contracts are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided where there is an enforceable right to payment for performance completed to date. This is determined based on the actual inputs of time and expenses relative to total expected inputs.

Contingent-fee contracts, over and above any agreed minimum fee, are recognised at the point in time that the contingent event occurs and the Group has become entitled to the revenue

Where contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on its stand-alone selling price. Where these are not directly observable, they are estimated based on expected cost plus margin. Adjustments are made to allocate discounts proportionately relative to the stand-alone selling price of each performance obligation.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known.

For time-and-materials, fixed-fee and licence-fee contracts, fees are usually billed on account based on a payment schedule.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES – continued

For performance-fee and contingent-fee contracts, fees are usually billed and paid when entitlement to the revenue has been established. If the revenue recognised by the Group exceeds the amounts billed, a contract asset is recognised. If the amounts billed exceed the revenue recognised, a contract liability is recognised. Contract assets are reclassified as receivables when billed and the consideration has become unconditional because only the passage of time is required before payment is due.

The Group's standard payment terms require settlement of invoices within 30 days of receipt.

The Group does not adjust the transaction prices for the time value of money as it does not expect to have any contracts where the period between the transfer of the promised services to the client and the payment by the client exceeds one year.

Other income includes the recognition of government supported income from its Coronavirus Job Retention Scheme. Income is recognised in the same period as the corresponding employee costs.

Goodwill

The acquisition method of accounting is used to account for business combinations. Goodwill arises on acquisitions and business combinations where the fair value of the consideration given exceeds the fair value of the separately identified assets and liabilities transferred. Associated costs are written off as incurred. Goodwill is capitalised as an intangible asset with an indefinite life, with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

The recoverable amount of the CGU has been determined based on value in use (VIU) calculations. The Group is satisfied that no further impairment provision was required against the carrying value of the Group's goodwill at the current or previous financial year end.

The use of the VIU 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 future cash flows used in the VIU calculation are based on financial budgets approved by management, based on prior year profit experience and applied to the five-year period to May 2026, followed by a terminal value with the May 2026 annual cash flows extrapolated into perpetuity at a long term growth rate. We have assumed a long term growth rate of 2%. The discounted rates used in the VIU calculation are based on a post-tax estimated weighted average cost of capital and separate rates have been selected for UK, 10.75% (2020: 11%) and ROI, 10.50% (2020: 12%).

Other intangible assets

Client Relationships

Client Relationships acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses (see previous note on Goodwill for method of calculating impairment losses). Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future benefit accruing to the Group from the utilisation of the asset discounted at the appropriate discount rate.

Client relationships are amortised over a period of 7 to 10 years based on the director's estimate of useful life.

Brand Value / Trade Name

The firms acquired have retained their trading name due to the value of the brand in their specific market place. These are stated at cost less accumulated amortisation and impairment losses. Cost for each acquisition is calculated in a similar manner to client relationships and reflects management's judgement on the fair value of the assets.

Brand Value / Trade names are amortised over 5 to 10 years based on the directors' estimate of useful life.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Right of use assets	- over the life of the lease
Fixtures and fittings	- 3 to 5 years
Computers	- 3 to 5 years

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES - continued

Financial instruments

i) Financial assets

Financial assets that meet the criteria required under IFRS9 to be held at amortised cost (being held for collection and passing the test of comprising solely payments of principal and interest) include trade and other receivables and cash and bank balances. These are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. Financial assets measured at amortised cost include cash, trade debtors and other debtors.

Impairment provisions for trade receivables are assessed for impairment based on the simplified approach within IFRS9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivable 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 administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision. Details on credit loss calculations are included at note 17.

For other receivables, at the end of each reporting period financial assets measured at amortised cost are assessed for impairment based on the general impairment model within IFRS9. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Financial liabilities are recognised at amortised cost as required under IFRS9 include trade and other payables, overdraft and bank and other loans, and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities measured at amortised cost include overdrafts, trade payables, other payables and accruals. It does not include other taxes and social security payable or contract liabilities.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted by the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the statement of financial position date.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES - continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result. Transactions in currencies other than the functional currency of each operation are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each statement of financial position, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the date of the statement of financial position. Gains and losses arising on retranslation are included in the consolidated income statement for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated from their functional currencies at exchange rates prevailing at the date of the statement of financial position. Income and expense items are translated from their functional currencies at the average exchange rates for the year, which are materially consistent with the spot rates observed in the year of those entities. Exchange differences arising are recognised directly in equity and transferred to the Group's foreign currency translation reserve via the other comprehensive income statement. If an overseas operation is disposed of the cumulative translation differences are recognised as realised income or an expense in the year disposal occurs.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

Leases

The Group assesses whether a contract is a lease at the inception of the contract. The Group recognises a right of use asset and a lease liability for all lease arrangements except for short term leases and leases of low value assets. For short term and low value leases the Group recognises the expense on a straight line basis over the term of the lease.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term (excluding any adjustments related to any inflation index) with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

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 reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the 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
- and the amount of any provision recognised where the Group is contractually required to dismantle, remove, restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charge 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. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lease extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the remaining payments to be made over the revised term, and reviews the discount rate applied to ensure it is still appropriate and will adjust if applicable. An equivalent adjustment is made to carrying value of the right to use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES - continued

Employee benefit costs

The Group operates a number of defined contribution pension schemes. Contributions payable to the Group's pension schemes are charged to the income statement in the period to which they relate.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are included in other operating income, which in the current year relates to income received as a result of participation in the coronavirus job retention scheme. As such, the cost of employment relating to the individuals paid under this scheme are recognised gross of the grant income received. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

Trade and other receivables

Trade and other receivables where payment is due within one year do not constitute a financing transaction and are recorded at the undiscovered amount expected to be received, less attributable transaction costs. Any subsequent impairment is recognised as an expense in the statement of profit or loss.

If payment is due after more than one year or if there is any other indication of a financing transaction, trade and other receivables are recorded initially at fair value less attributable transaction costs. In this situation, fair value is equal to the amount expected to be received, discounted at a market-related interest rate.

All trade and other receivables are subsequently measured at amortised cost, net of impairment.

Impairment and write-offs

The Group always recognises lifetime ECL (expected credit losses) for trade receivables and contract assets, which are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

The Group writes off a receivable when there is information indicating that the debtor is in severe difficulty and there is no realistic prospect of recovery. Financial assets written off are still subject to enforcement activities. Any recoveries made are recognised in the statement of profit or loss.

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Dilapidations provisions relate to the estimated cost to put leased premises back to the required condition expected under the terms of the lease. These include provisions for required dilapidations along with provisions where leasehold improvements have been made that would require reinstatement back to the original status on exit. These are uncertain in timing as leases may be terminated early or extended. To the extent that exits of premises are expected within 12 months of the end of the year they are shown as current.

Professional indemnity provisions relate to complaints against the Group that arise in the ordinary course of business. The amount provided is based on management's best estimate of the likely liability and is recognised under IAS 37 gross of any insurance recovery assets.

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the application of the Group's accounting policies, management is required to make judgment estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects the period, or in the period of the revision and future periods if the revision affects both current and future periods.

XELNADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES - continued

The key sources of estimation uncertainty that have significant effect on the amounts recognised in the financial statements are described below:

a) Basis of Consolidation

The directors consider the share for share exchange between Xelnadin Professional Services Ireland Ltd (XPSI) and CMC Accountancy Limited (CMC) to be a reverse acquisition and CMC has been treated as the acquirer. Further details on the basis of consolidation and how directors developed the most appropriate accounting policy are outlined in the basis of consolidation within the accounting policy note 2 and in note 18 of dealing with the business combination.

As regards subsidiary companies, an assessment of control under IFRS 10 was undertaken. IFRS 10 explains that an investor controls an investee when it is exposed or has a right to variable returns from its involvement with the investee and has ability to direct those returns through its power over the investee.

In the case of the UK subsidiaries, control is assessed by Management as being prevalent based on:

- A 51% shareholding in the investee by XUPSL of each entity;
- The ability to achieve majority Board representation by XGL as majority shareholder;
- The ability to direct dividend policy of the investee through the shareholding; and
- The ability by XGL to direct the financial and operating performance of the investee through "step in" rights.

In the case of ROI subsidiaries XPSI holds an "A" ordinary share in each subsidiary which gives it power over the appointment of the Board that controls the company and also XPSI is entitled to a share of return over and above pre agreed levels of any dividend declared. All other conclusions remain the same as above (albeit with the ROI subsidiaries, the non-controlling interest is effectively 100% of the entity's net assets due to the structure of the ordinary shareholding).

All entities in the Group were given opportunity to exit the Group during predetermined windows. 4 entities availed themselves of this opportunity during the year ended 31 May 2020 and a further 9 during the year ended 31 May 2021 (see note 16).

Management do not consider the presence of these exit windows to affect their assessment of control since all entities were controlled up to the point of this exit option being exercised and therefore these events represent a loss of control and hence are accounted for as such under the requirements of IFRS 10.

On this basis the Board has concluded that it controls these entities under IFRS 10.

b) Impairment of Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment, as an indefinite life asset. It does this by using a two-stage approach:

1. Allocating the carrying value of intangible assets excluding goodwill to individual cash generating units (CGU's) and then comparing the carrying value of each CGU with its recoverable amount.
2. By testing the Group of CGU's including the total carrying value of all intangible assets including goodwill and also recognising any Group impairment (See note 13 for further details).

In the opinion of management, the level at which goodwill is monitored, together with the lowest identifiable operating segment in FY21 and FY20 also being identified as the Group as a whole (based on the fact that the Chief Operating Decision Maker only receives information and makes resourcing/performance analysis decisions at a Group level), means that the impairment review for goodwill should be conducted at a level that includes the whole Group.

Goodwill arising on business combinations is not amortised. It is stated at cost less impairment value. The assessment of any impairment requires management judgement with regards to identifying what are the CGU's, deciding on how the goodwill on consolidation should be allocated for impairment and also estimating future performance and using appropriate discount rates when calculating value in use. Note 13 of the financial statements sets out how the directors decided that it would not be possible to allocate Goodwill on a non-arbitrary basis to individual CGU's and therefore a two-stage approach to calculating potential impairment was followed. It also sets out the various other key assumptions in preparing this impairment review.

Cashflow forecasts for value in use calculations are derived from a bottom up budgeting approach which take into account a combination of internal and external factors based on past experience. However, expected cashflows can be materially uncertain and liable to change over time.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES - continued

c) Revenue Recognition

In determining the amount of revenue to recognise in relation to contract assets/liabilities management are required to use judgement and estimates on the measurement of this income in accordance with IFRS15. Details of these assets/liabilities are included at Note 3 of the financial statements. The valuation is based on an estimate of the amount to be recovered/due from/to clients for unbilled items based on time spent, the expertise and skills provided and the stage of completion plus payment on account. The principal uncertainty over this estimation is around the amounts yet to be billed or recognised by the client. The level of uncertainty is reduced by the nature of Group income being almost all recurring income where the client will have an annual invoice and also that contingency billing is not a material item for the Group.

d) Impairment of Trade Receivables and Contract Assets

The Group makes an estimate of the recoverable value of trade receivables and contract assets. The carrying amount of trade receivables are held at selling price less lifetime estimated credit losses (ECL's). ECL's have been estimated based on historic credit losses adjusted where appropriate for the inclusion of management judgement to account for any forward looking information for specific clients.

Full details on Trade Receivables and Contract Assets are set out in Note 17.

e) Valuation of Acquired Intangible Assets in a business combination.

At 1 June 2019, the cost of intangible assets acquired under the fair view exercise performed by Management's valuation expert, was £304.3m (£212.5m goodwill and £91.8m of other intangibles).

The Group's intangible assets are initially measured at fair value in accordance with IFRS3. On 1 June 2019 the Group acquired 115 subsidiary companies in a share for share exchange. Full details of this are disclosed in note 16.

In estimating the fair value of the intangible assets, the Group engaged an external valuation specialist who prepared a valuation at 1 June 2019 of client relationships, brands/trade name and goodwill arising on the business combination.

A multiple approach was utilised to value the business based on lack of consolidated performance. Multiples were derived for a peer group of suitable companies adjusted for size and profitability as suitably appropriate.

Brand Assets were valued using a relief from royalty method and customer relations using a multi-excess earnings method.

Due to the size and complex nature of the assessment of the valuation of the Group on its combination on 1 June 2019, a number of assumptions have been made that are significant to the valuation of the Group and to which the valuation is materially sensitive to small variances.

The key assumptions to the model and an assessment of the sensitivity within the model are as follows:

Assumption	+ change	- change	+ Impact on valuation	- Impact on valuation
Allocation of member firms into 4 different tiers	20 firms move up a tier	20 firms move down a tier	+ £2m intangible assets	-£2m intangible assets
Sensitivity of consideration and total valuation of the Group to market multiple	+ 0.5% on multiple	- 0.5% on multiple	+ £2m intangible assets	-£2m intangible assets
Weighted average attrition rate	+ 2.5% attrition rate	- 2.5% attrition rate	- £8m intangible assets	+ £10m intangible assets
Customer relationships useful economic life	+ 0.2 years useful economic life	- 0.2 years useful economic life	+ £2m intangibles left at end of existing useful economic life	Amortisation of £2m of assets too quickly by end of useful economic life

During the year, the Group disposed of 9 subsidiaries from Xeinadin (note 16) and incurred a loss on disposal on losing control of these entities. Management have calculated a multiple that reduces the apportioned value applied to these entities to £9m (at the value of the multiple used at 1 June 2019, this would have been £14.7m), hence reducing the loss on disposal by £4.8m.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

2. ACCOUNTING POLICIES - continued

If a variance of 1 x EBITDA were to happen in the underlying workings for calculating this loss on disposal, then there would be a corresponding material increase/decrease in the loss on disposal accordingly:

- Increase in EBITDA multiple by 1 x: increase loss on disposal by £2.1m
- Decrease in EBITDA multiple by 1 x: decrease loss on disposal by £2.2m

Management are comfortable that sufficient sources of information have been consulted from a variety of data points to ensure the calculation of £9m is materially reasonable.

During the year, several firms left the Group as per note 16. Due to the complex nature of the circumstances surrounding the loss of control of the entities, Management have had to estimate the date upon which control was lost of several of the entities that left the Group. In making the judgment as to the date that these entities departed from the Group, Management have given regard to the documentation dates upon which control of the subsidiary's shares was passed back to the Board, together with the dates on which Board approval was given for these subsidiaries to leave the Group and the nature and dates of correspondence received from subsidiaries requesting to leave the Group.

3. REVENUE

Geographical analysis of turnover

	2021	2020
	£'000	£'000
United Kingdom	81,240	83,484
Ireland	21,811	26,123
Rest of Europe	329	223
Rest of World	643	469
	<u>104,123</u>	<u>110,289</u>

Revenue from contracts with customers

The Group's turnover of £104.1m (2020 £110.3m) consists entirely of contract revenue from clients. No single customer represents more than 10% of revenue.

Practical expedients under IFRS 15

Under IFRS 15 companies are required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the accounting period.

For most of the revenue contracts in issuance the company has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the business performance completed to date. Therefore, the Group considers it is impractical to estimate the potential value of unsatisfied performance obligations and has elected to apply the practical expedient available under IFRS 15. The Group also has no material long term, fixed price contracts that exceed a year in length.

Contract balances

	2021	2020
	£'000	£'000
Receivables included in "Trade and other receivables"	<u>20,201</u>	<u>20,414</u>
Contract assets		
Current		
Contract assets	<u>10,713</u>	<u>10,288</u>
Contract liabilities		
Current		
Contract liabilities	<u>3,331</u>	<u>2,214</u>

Contract assets

Contract assets, which are stated net of expected credit losses, relate to the unbilled work of the subsidiary companies at the balance sheet date. It is expected that the majority of the net value will be billed within the first two months of the 2022 financial year. Of the amounts included as contract assets at 31 May 2020 £481k remained unbilled at 31 May 2021 and its recoverability has been reassessed.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 MAY 2021**

3. REVENUE - continued

Contract liabilities

Contract liabilities outstanding at the balance sheet date relate to the income received in advance by the subsidiary companies and it is expected that the income will be recognised as revenue during the first six months of the 2022 financial year.

4. OTHER OPERATING INCOME

Other operating income includes the following items

	2021 £'000	2020 £'000
Grants received	1,872	713
Rent received	188	216
Sundry income	404	373
	<u>2,474</u>	<u>1,301</u>

During the year, furlough grant monies of £564k (2020: £215k) were received, and have been included within "grants received" above. The corresponding costs that these offset are included within the employment costs as per note 5.

5. EMPLOYEES AND DIRECTORS

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Wages and salaries	44,249	44,923	329	127
Social security costs	3,982	3,764	30	6
Other pension costs	<u>2,369</u>	<u>1,429</u>	<u>4</u>	<u>-</u>
	<u>50,599</u>	<u>50,106</u>	<u>363</u>	<u>133</u>

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

	2021	Group 2020	2021	Company 2020
Directors	10	9	10	9
Advisory and support	<u>1,455</u>	<u>1,556</u>	<u>2</u>	<u>1</u>
	<u>1,465</u>	<u>1,565</u>	<u>12</u>	<u>10</u>

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Directors' remuneration	<u>780</u>	<u>434</u>	<u>257</u>	<u>112</u>

Directors' remuneration for the Group includes the total amount payable to the directors of the parent company from all companies within the Group. The amount paid to the highest paid director was £154k (2020: £79k) including the impact of employer NIC, remuneration in the year for the Group's Key Management Personnel amounted to £888k (2020: £494k) and for the company, £292k (2020: £127k). See note 29 for more information on Key Management Personnel.

6. LOSS ON DISPOSAL OF SUBSIDIARIES

As set out in Note 16, 9 subsidiaries left the Group during the year ended 31 May 2021 (2020: 4). These firms joined the Group without any cash consideration being paid and also left the Group for no consideration. The loss on disposal comprises of the disposal of goodwill and intangible assets allocated to these subsidiaries, together with the profits of these firms that have been recognised since 1 June 2019. On leaving the Group the shares held by Xeinadin UK Professional Services Ltd in the UK subsidiaries and by Xeinadin Professional Services (Ireland) Ltd in the ROI subsidiaries were converted into deferred shares and transferred back to the original shareholders at par value. The 1p members shares held in Xeinadin Group Ltd by the equity directors of the leaving subsidiaries were converted into deferred shares and transferred to Mr Derry Crowley (CEO) at par value and are held in trust.

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

7. FINANCIAL SETTLEMENT

The costs relate to an agreed settlement to a third party on 17 December 2020 in relation to the formation of the Group on 1 June 2019. The cost of £3.1m comprises the full settlement of £3m net of VAT and legal fees of £0.1m.

8. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2021 £'000	2020 £'000
Depreciation - owned assets	459	488
Depreciation -- leased assets	2,117	1,868
(Profit)/loss on disposal of fixed assets	(8)	10
Customer relationships amortisation	8,587	9,257
Brand amortisation	844	910
Fees payable to the group's external auditor for the annual audit of the financial statements	520	437
Fees payable to the group's external auditor and its associates for the annual audit of subsidiary company financial statements	157	129
Other fees payable to the group's external auditor	22	22
Financial settlement	3,099	-
Loss on disposal of subsidiaries	<u>16,257</u>	<u>13,093</u>

9. NET FINANCE COSTS

	2021 £'000	2020 £'000
<i>Finance income:</i>		
Deposit account interest	<u>9</u>	<u>6</u>
<i>Finance costs:</i>		
Bank interest	11	4
Bank loan interest	7	19
Leasing	<u>332</u>	<u>294</u>
	<u>350</u>	<u>317</u>
Net finance costs	<u>341</u>	<u>311</u>

10. TAXATION

Analysis of tax expense

	2021 £'000	2020 £'000
<i>Current tax:</i>		
Tax	5,753	6,540
Deferred tax	<u>610</u>	<u>(2,176)</u>
Total tax expense in consolidated statement of profit or loss	<u>6,363</u>	<u>4,364</u>

Factors affecting the tax expense

The tax assessed for the year is higher (2020-higher) than the standard rate of corporation tax in the UK. The difference is explained below:

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

10. TAXATION - continued

	2021 £'000	2020 £'000
Profit before taxation	<u>3,050</u>	<u>13,981</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	580	2,658
Effects of:		
Expenses not deductible for tax purposes	810	168
Other timing differences	(255)	(3)
Loss on disposal of subsidiaries	3,089	1,983
Difference in taxation rates in overseas subsidiaries	(980)	(442)
Uplift in rate applied to deferred tax to enacted rate of 25%	<u>3,119</u>	<u>-</u>
Tax expense	<u>6,383</u>	<u>4,364</u>

11. DIVIDENDS

Dividends paid during the year to non-controlling interests in subsidiary companies amounted to £15.1m (2020: £12.0m).

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	Earnings £'000	31.5.21 Weighted average number of shares	Per-share amount £
Basic EPS			
Earnings attributable to ordinary shareholders	(2,115)	2,145	(986)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	<u>(2,115)</u>	<u>2,145</u>	<u>(986)</u>
		31.5.20 Weighted average number of shares	Per-share amount £
Basic EPS			
Earnings attributable to ordinary shareholders	5,774	2,281	2,531
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	<u>5,774</u>	<u>2,281</u>	<u>2,531</u>

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

13. GOODWILL

Group	£'000
COST	
At 1 June 2020	204,021
Additions	592
Loss of control	<u>(9,862)</u>
At 31 May 2021	<u>194,751</u>
NET BOOK VALUE	
At 31 May 2021	<u>194,751</u>
At 31 May 2020	<u>204,021</u>
At 1 June 2019	<u>-</u>

Impairment testing

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired.

IAS 36 acknowledges that sometimes goodwill arising on business combinations cannot be allocated to individual cash generating units (CGU's) on a non-arbitrary basis. The effect of this is a two stage test where:

- The carrying value of goodwill will not be allocated to the CGU's so at first stage the CGU will be tested for impairment excluding goodwill and any impairment loss recognised;

- The second stage involves testing the group of CGU's with the carrying value of goodwill included in that group of CGU's. The allocation of goodwill should reflect an allocation to CGU's, or group of CGU's, that reflects the group which will benefit from the goodwill. For impairment review purposes, the allocation should reflect the level at which management monitor goodwill but should not exceed the size of the operating segment. Any impairment is then recognised. The level at which goodwill is allocated is at Group level. The directors are satisfied that this represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. The directors believe that the Group operates as one operating segment, based on the nature of reporting received by the Chief Operating Decision Maker in the year ended 31 May 2021.

The recoverable amount is based on the present value of expected future cash flows (value in use) which was determined to be higher than the carrying amount so no impairment loss was recognised. Management have considered the likely impact of the Covid-19 pandemic on future cash flows in their assessment of impairment.

Cash flow forecasts were based on financial budgets approved by Management covering a five-year period. Value in use was determined by discounting the future cash flows generated from the continuing operation of the Group and at each CGU and was based on the following key assumptions:

Based on FY21 actuals, Management's model builds in a 5 year Compound Annual Growth Rate (hereafter "CAGR") for revenue of 5.1%. Assuming 0.0% revenue growth over the next 5 years, with no change to underlying margins, there would still be c. £27m headroom. A negative CAGR of -2.2% over the next 5 years would be required in order for an impairment to be incurred, again assuming a constant margin over the 5 year period.

Management's model conservatively assumes team staff costs increase in line with revenue CAGR of 4.0%. A 1.0% reduction in the CAGR to 3.0% this would generate £8.9m of headroom. Management could also look to reduce senior staff costs and other overheads as further mitigating actions.

A post-tax discount rate of between 10.75% and 10.50 % was applied to each firm based on location in determining the recoverable amount. A post-tax rate of 10.75% (2020 11.0%) was applied to the UK CGU's (13.3% pre-tax) and 10.50% (2020 12.0%) to the Irish CGU's (12.0% pre-tax). The discount rate is based on the Group's average post-tax weighted cost of capital of 10.7% (2020 11.2%).

An absolute increase of 3.4% in post-tax weighted cost of capital would lead to the breakeven point in the model.

The values assigned to the key assumptions represent management's estimate of expected future trends and are based on both external (industry experience, historic market performance and current estimates of risk associated with trading conditions) and internal sources (existing management knowledge, track record and in-depth understanding of the work types being performed).

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

13. GOODWILL - continued

Increases in costs are based on current inflation rates and expected levels of recruitment needed to generate predicted revenue growth.

Attrition rates are based on the historic experience and trends of client activity over a three to five-year period and applied to future fee forecasts.

Cash flows have been typically assessed over a five-year period. After year 5, management extrapolates using a terminal value calculation based on an estimated growth rate of 2%. This is based on long-term inflation expectations for the UK and Ireland.

The Group has conducted a sensitivity analysis on the impairment test of the CGU carrying value. The directors believe that any reasonable change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU, based on the ability of management to perform cost saving actions in response to potential reduction in revenue that may occur in the short term.

Sensitivities

The Group attributes a monetary value to the acquired goodwill based primarily on the anticipated future cash flows generated by the customers. Whilst the Group accounts for customer's attrition and direct costs the main driver of this value is the estimated revenue resulting from the customers of the Group. Management have estimated a year on year growth rate which has been applied to the model.

14. INTANGIBLE ASSETS

Group

	Customer relationships £'000	Brand £'000	Totals £'000
COST			
At 1 June 2020	80,500	7,950	88,450
Loss of control	(5,300)	(380)	(5,680)
At 31 May 2021	<u>75,200</u>	<u>7,570</u>	<u>82,770</u>
AMORTISATION			
At 1 June 2020	9,012	879	9,891
Amortisation for year	3,587	844	4,431
Loss of control	(835)	(61)	(896)
At 31 May 2021	<u>16,764</u>	<u>1,662</u>	<u>18,426</u>
NET BOOK VALUE			
At 31 May 2021	<u>58,436</u>	<u>5,908</u>	<u>64,344</u>
At 31 May 2020	<u>71,488</u>	<u>7,071</u>	<u>78,559</u>
At 1 June 2019	<u>-</u>	<u>-</u>	<u>-</u>

The cost is based on an independent value prepared on behalf of the directors for the 115 firms acquired on 1 June 2019.

Client Relationships:

The client relationships were acquired as part of the consolidation which occurred on 1 June 2019. This represents the value attributed to clients who provide repeat business to the Group on the strength of these relationships. Customer relationships are amortised on a straight line basis over a 7-10 year period from 1 June 2019 which means two years have been amortised to date.

Brand/Trade Names:

The brand/trade names were acquired as part of the consolidation which took place on 1 June 2019. Member firm brands/trade names are associated with factors such as a high quality service and trusted advice. Brand/trade names are amortised on a straight line basis over a 6-10 year period from 1 June 2019 which means two years have been amortised to date.

The Group had the following intangible assets that were individually material at the year-end date of 31 May 2021.

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

14. INTANGIBLE ASSETS - continued

Asset - customer relationships	Net book value 2021 Years £'000	Remaining useful economic life Years
Tynan Dillon Advisers Limited	2,000	8
Tish Leibovitch Limited	1,800	8
Tish Press & Company KGE Limited	2,560	8
Williams Giles Professional Services Limited	1,840	8
Cobham Murphy PHD Limited	4,160	8
Hallidays Group Limited	2,280	8
Kay Johnson Gee CR Limited	2,120	8
McIntocks (NW) Limited	1,960	8
O'Brien & Partners KVE Limited	2,240	8
Phillip Carroll Limited	2,120	8

16. PROPERTY, PLANT AND EQUIPMENT

Group	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Sub total £'000
COST				
At 1 June 2020	768	61	1,220	2,049
Additions	187	40	339	566
Loss of control	(204)	(61)	(87)	(352)
Exchange differences	(16)	(3)	(11)	(30)
At 31 May 2021	735	37	1,461	2,233
DEPRECIATION				
At 1 June 2020	162	19	283	464
Charge for year	130	8	321	459
Loss of control	(51)	(24)	(25)	(100)
Exchange differences	(7)	(1)	(18)	(26)
At 31 May 2021	234	2	561	797
NET BOOK VALUE				
At 31 May 2021	501	35	900	1,436
At 31 May 2020	606	42	937	1,585
At 1 June 2019	-	-	-	-

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

15. PROPERTY, PLANT AND EQUIPMENT - continued

	Right of use assets £'000	Grand total £'000
COST		
At 1 June 2020	11,520	13,566
Additions	2,165	2,731
Loss of control	(1,007)	(1,359)
Exchange differences	<u>(103)</u>	<u>(133)</u>
At 31 May 2021	<u>12,575</u>	<u>14,805</u>
 DEPRECIATION		
At 1 June 2020	1,864	2,328
Charge for year	2,117	2,576
Loss of control	(315)	(415)
Exchange differences	<u>(228)</u>	<u>(254)</u>
At 31 May 2021	<u>3,438</u>	<u>4,235</u>
 NET BOOK VALUE		
At 31 May 2021	<u>9,137</u>	<u>10,573</u>
At 31 May 2020	<u>9,656</u>	<u>11,241</u>
At 1 June 2019	<u>-</u>	<u>-</u>
 Company		Computer equipment £'000
COST		
At 31 May 2020		2
Additions		<u>29</u>
At 31 May 2021		<u>31</u>
 DEPRECIATION		
At 31 May 2020		-
Charge for the year		<u>1</u>
At 31 May 2021		<u>1</u>
 NET BOOK VALUE		
At 31 May 2021		<u>30</u>
At 31 May 2020		<u>2</u>
At 1 June 2019		<u>-</u>

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

16. INVESTMENTS

Company

	Shares in group undertakings £'000
COST	
At 1 June 2020 and 31 May 2021	<u>113,113</u>
NET BOOK VALUE	
At 31 May 2021	<u>113,113</u>
At 31 May 2020	<u>113,113</u>
At 1 June 2019	<u>-</u>

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

Subsidiaries

Xeinadin UK Professional Services Limited
8th Floor Becket House, 36 Old Jewry, London, EC2R 8DD
Nature of business: Holding Company
Proportion of voting rights, ordinary share capital held 100%

Xeinadin UK Partnerships Limited
8th Floor Becket House, 36 Old Jewry, London, EC2R 8DD
Nature of business: Dormant Company
Proportion of voting rights, ordinary share capital held 100%
The company is exempt from audit under S480 Dormancy Regulations of the Companies Act 2006

16. INVESTMENTS - continued

Xeinadin Professional Services (Ireland) Limited
8th Floor South Bank House, Barrow Street, Dublin, 4
Nature of business: Holding Company
Proportion of voting rights, ordinary share capital held 100%

On 1 June 2019, Xeinadin UK Professional Services Limited ('XUPSL') acquired 51% of the share capital of the new UK subsidiaries of Xeinadin Group Limited ('XGL') (a listing of which is shown below).

The consideration issued by XUPSL for these shares was shares issued in XGL to the equity holders of the new UK Subsidiaries. Since XGL issued these shares on behalf of XUPSL, this has been accounted for as an additional investment into XUPSL by XGL, equivalent to the fair value of the controlling shareholding obtained by XUPSL within the new UK subsidiaries.

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

UK subsidiaries

A B G Accountancy 2018 Ltd (11238861)
The Quadrant Centre, Limes Road, Weybridge, Surrey, England, KT13 8DH
Nature of business: Professional services
Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS - continued

Accountax 2018 Ltd (11239739)

Maple House, Larch Avenue, Sunninghill, Berkshire, England, SL5 0AW

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Accounting & Taxation Centre LTD Ltd (11453188)

36 Queens Road, Newbury, Berkshire, England, RG20 9EZ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Anthistle Craven IRX Ltd (11415046)

Moreton House, 31 High Street, Buckingham, Buckinghamshire, England, MK18 1NU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

ARA (Bristol) Ltd (11420396)

86 Shirehampton Road, Stoke Bishop, Bristol, England, BS9 2DR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Arithma Accountants Ltd (11848732)

9 Mansfield Street, London, England, W1G 9NY

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Arlington Accountants Ltd (11833878)

7 Hocombe Road, Chandlers Ford, Eastleigh, Hampshire, England, SO53 6SL

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

ASC Wylie UBU Ltd (N1652973)

7 Lisburn Street, Hillsborough, Co. Down, Northern Ireland, BT26 6AB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

BarTax Accountants WFC Ltd (11295502)

2 Rose Bank, Bollington, Cheshire, England, SK10 5JA

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Bennewith 2018 Ltd (11241883)

Ynot House 3 Wey Court, Mary Road, Guildford, Surrey, England, GU1 4QU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Beapoke Accounting 2018 Ltd (11903588)

2-4 Ash Lane Rustington, Littlehampton, West Sussex, England, BN16 3BZ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Bowker Orford Ltd (11644568)

15/19 Cavendish Place, London, England, W1G 0DD

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

BRC Accountants PKL Ltd (11318648)

Aldwych House, Winchester Street, Andover, Hampshire, England, SP10 2EA

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Bushells Accountants 2018 Ltd (11240948)

6 Victoria Avenue, Harrogate, Yorkshire, England, HG1 1ED

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS - continued

Calcutt Matthews WBZ Ltd (11375532)

19 North Street, Ashford, Kent, England, TN24 8LF

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Centurion VAT Specialists ALL Ltd (11847751)

Merlin House, 1 Langstone Business Park, Newport, Gwent, Wales, NP18 2HJ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Chhaya Hare Wilson CML Ltd (11267667)

Transport House, Uxbridge Road, Hillingdon, Middlesex, England, UB10 0LY

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

CMS Accountants 2020 Ltd (11884345)

61 Bryn Street, Wigan, Greater Manchester, England, WN4 9AX

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Cobham Murphy PHD Ltd (11905373)

118 Duke Street, Liverpool, England, L1 5JW

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

David Jones & Co 2018 Ltd (11239817)

19 Reading Road, Pangbourne, Berkshire, England, RG8 7LR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Davies McLennan Ltd (11419828)

93 Wellington Road North, Stockport, Cheshire, England, SK4 2LR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

DJM Accountants BLJ Ltd (11266150)

4 Stirling Court Yard, Stirling Way, Borehamwood, Hertfordshire, England, WD6 2FX

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Egan Roberts Ltd (11410949)

Unit 46 Manor Court, Salesbury Hall Road, Ribchester, Lancashire, England, PR3 3XR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Elman Wall Ltd (11546262)

8th Floor Becket House, 36 Old Jewry, London, England, EC2R 8DD

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Fellows & Company CA Ltd (11266060)

Archway House, 81-82 Portsmouth Road, Surbiton, Surrey, England, KT6 5PT

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

FD Professional Services Ltd (11531592)

107-109 Towngate, Leyland, Lancashire, England, PR25 2LQ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Fooks & Co 2018 Ltd (11238647)

14 High Street, Bargoed, Caerphilly, Wales, CF81 8RA

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS – continued

Hugh Davies & Co LIO Ltd (11295487)

35 Chequers Court Brown Street, Salisbury, Wiltshire, England, SP1 2AS

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

JW Walsh Accountants 2018 Ltd (11241862)

Albion House, 163-167 King Street, Dukinfield, Cheshire, England, SK16 4LF

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Kay Johnson Gee Ltd (11415125)

1 City Road, Manchester, England, M15 4PN

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Kay Johnson Gee CR Ltd (11415158)

1 City Road, Manchester, England, M15 4PN

Nature of business: Corporate recovery services

Proportion of voting rights, ordinary share capital held 51%

Lee Accounting Services 2018 Ltd (11241854)

26 High Street, Rickmansworth, Hertfordshire, England, WD3 1ER

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Lewis Ballard BBB Ltd (11845798)

Celtic House Caxton Place, Pentwyn, Cardiff, Vale Of Glamorgan, Wales, CF23 8HA

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Lucentum Business Services Ltd (11343916)

Kingfisher House, 11 Hoffmanns Way, Chelmsford, Essex, England, CM1 1GU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Marlow Proactive Ltd (11405558)

14 Phoenix Park Telford Way, Coalville, Leicestershire, England, LE67 3HB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

McGregors CCP Ltd (11395000)

12 Mansfield Office Suite 0.3, Hamilton Court, Mansfield, Nottinghamshire, England, NG18 5FB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

McKenzie ATS Ltd (11410805)

2 Station Road West, Oxted, Surrey, England, RH8 9EP

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

McLintocks (NW) Ltd (11836795)

2 Hilliards Court, Chester Business Park, Chester, Cheshire, England, CH4 9PX

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

McManus Williams KGG Ltd (11404526)

Suite 2 Bellevue Mansions, 18-22 Bellevue Road, Clevedon, Somerset, England, BS21 7NU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Meranther Ltd (11319655)

1 Strands Barn Strands Farm Lane, Hornby, Lancaster, Lancashire, England, LA2 8JF

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS – continued

Foster Mann (UK) Limited (11833403)

Unit 26g Springfield Commercial Centre, Begley Lane, Farsley, Leeds, England, LS28 6LY

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

GCSD Accountants Ltd (11457078)

701 Stonehouse Park Sperry Way, Stonehouse, Gloucestershire, England, GL10 3UT

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Gray & Co DAN Ltd (11266924)

Springvale, Police Station Square, Mildenhall, Suffolk, England, IP28 7ER

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

GW Jones & Co ICJ Ltd (11458079)

Office 1 The Coach House 24-26 Station Road, Shirehampton, Bristol, England, BS11 9TX

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Hallidays Group Ltd (11380861)

Riverside House Kings Reach Business Park, Yew Street, Stockport, Cheshire, England, SK4 2HD

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Harvey Smith & Co DVQ Ltd (11356850)

67 Latchingdon Road, Cold Norton, Essex, England, CM3 6HT

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Heylands Limited (11530385)

The Old Grange Warren Estate, Lordship Road, Writtle, Essex, England, CM1 3WT

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Hills Jarrett TXS Ltd (11357076)

Gainsborough House, Sheering Lower Road, Sawbridgeworth, Hertfordshire, England, CM21 9RG

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

MG Accountants SW Ltd (11846532)

6 Park Street, Torquay, Devon, England, TQ2 5EL

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

NMP Accounting Solutions Ltd (11842982)

3 Queen Street, Ashford, Kent, England, TN23 1RF

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Murray Associates ZKI Ltd (SC584767)

Murray Associates Accountants Ltd Business First, Linwood Point, Paisley, Renfrewshire, Scotland, PA1 2FB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Newsham Hanson Accountants Ltd (11838807)

Edinburgh House, 1-5 Bellevue Road, Clevedon, Somerset, England, BS21 7NP

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Nickells Accountants Ltd (11834183)

4 Bridge Street, Amble, Morpeth, Northumberland, England, NE65 0DR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS – continued

O'Brien & Partners KVE Ltd (11453265)

Highdale House, 7 Centre Court Main Avenue, Treforest Ind Est, Pontypridd, Wales, CF37 5YR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Palsson Ltd (11459439)

72 Great Suffolk Street, London, England, SE1 0BL

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Paul & Co (Accountants) Ltd (11287804)

8 Freestrate House, Lowther Road, Stanmore, Middlesex, England, HA7 1EP

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Pelham Accountants 2019 Ltd (11908481)

16 Dudley Street, Grimsby, Lincolnshire, England, DN31 2AB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Phillip Carroll Ltd (11404925)

10 Ambassador Place Stockport Road, Altrincham, Cheshire, England, WA15 8DB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Riley Moss 2018 Ltd (11242309)

Riley House, 183-185 North Road, Preston, Lancashire, England, PR1 1YQ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

RJG Accountants AKH Ltd (11286144)

10 East Street, Fareham, Hampshire, England, PO16 0BN

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Robinson Sterling SBU Ltd (11281848)

816d Green Lane, Ilford, Essex, England, IG3 9SE

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Rohans MJF Ltd (11295452)

Rohans House, 92-96 Wellington Road South, Stockport, Greater Manchester, England, SK1 3TJ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Romey Accountants GDT Ltd (11280977)

Unit 3, Shelley Farm Shelley Lane, Ower, Romsey, Hampshire, England, SO51 6AS

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

See Beyond The Numbers Ltd (11506375)

St Andrews House Yale Business Village, Eillice Way, Wrexham, Wales, LL13 7YL

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Sole Associates SVR Ltd (11344101)

3 Park Court, Pyrford Road, West Byfleet, Surrey, England, KT14 6SD

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Stead Robinson HGA Ltd (11378203)

Riddle Pit Farm Penistone Road, Hepworth, Holmfirth, West Yorkshire, England, HD9 2TR

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS – continued

Stewart Gilmour & Co. Ltd (SC600202)

24 Baresford Terrace, Ayr, Scotland, KA7 2EG

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Styles & Co JFC Ltd (11286079)

Heather House 473 Warrington Road, Culcheth, Warrington, Cheshire, England, WA3 5QU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

The Profit Key 2018 Ltd (11239127)

10 Lower Church Street, Ashby De La Zouch, Leicestershire, England, LE65 1AB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

THP Glasgow Ltd (SC596861)

140 Baltic Chambers 50 Wellington Street, Glasgow, Scotland, G2 6HU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Tish Leibovitch Ltd (11286262)

249 Cranbrook Road, Ilford, Essex, England, IG1 4TG

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Tish Press & Company KGE Ltd (11266092)

27 Cambridge Park, Wanstead, London, England, E11 2PU

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Tony Jacques YDD Ltd (11404769)

Kingfisher House, 140 Nottingham Road, Long Eaton, Nottinghamshire, England, NG10 2EN

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

TSH Professional Services Ltd (11447478)

89 High Street, Thame, Oxfordshire, England, OX9 3EH

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Tudor John Ltd (11410130)

Nightingale House, 46/48 East Street, Epsom, Surrey, England, KT17 1HQ

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Weaver Wroot Ltd (11238991)

Burlington House, 28 Dudley Street, Grimsby, Lincolnshire, England, DN31 2AB

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Williams Giles Professional Services Ltd (11411023)

12 Conqueror Court, Sittingbourne, Kent, England, ME10 5BH

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Wilshers DEJ Ltd (11943231)

10 Heathfield Terrace, Chiswick, London, England, W4 4JE

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Wren Professional Services Ltd (11832732)

4 Cross Street, Beeston, Nottingham, Nottinghamshire, England, NG9 2NX

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS – continued

Xebra Accounting IHC Ltd (11425351)

5 Funtley Court, Funtley Hill, Fareham, Hampshire, England, PO16 7UY

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Xynamo 5 Ltd (11241219)

14 South Way, Newhaven, East Sussex, England, BN9 9LL

Nature of business: Professional services

Proportion of voting rights, ordinary share capital held 51%

Republic of Ireland subsidiaries

BCC Accountants Ltd

Dublin Road, Ashbourne, Co. Meath, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

Camden Accounting Limited

Olympic House, Pleasants Street, Dublin 8, Ireland, D08H67X

Nature of business: Professional services

Proportion of voting rights 100%

Coyne Accountancy Galway Limited

The Halls, Quay Street, Galway, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

Cregan Accounting Ltd

Broadmeadow Hall, Applewood Village, Swords, Co. Dublin, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

Crowley & McCarthy Accountancy Limited

Unit G West Cork Technology Park, Clonakilty, Co. Cork, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

Deleg Ltd

Lacken House, Dublin Road, Kilkenny, Ireland, R95 KF34

Nature of business: Professional services

Proportion of voting rights 100%

DFS & Co Accounting Limited

Innovation House, Ballybrit Business Park, Ballybrit, Co. Galway, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

DMN Accountants Ltd

Unit A4, Block A, Santry Business Park, Santry, Dublin 9, Ireland, D09 P2Y4

Nature of business: Professional services

Proportion of voting rights 100%

FCOS Financial Services Outsourcing Ltd

Unit G West Cork Technology Park, Clonakilty, Co. Cork, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

JWM Accountants Ltd

13 14 South Main Street, NAAS, Co. Kildare, Ireland

Nature of business: Professional services

Proportion of voting rights 100%

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

16. INVESTMENTS – continued

Ken Herbert & Co. Ltd
Ivydene House, Dublin Street, Kildare Town, Co. Kildare, Ireland
Nature of business: Professional services
Proportion of voting rights 100%

Kinsella Mitchell and Associates Ltd
Finance House, 46 Prussia Street, Dublin 7, Ireland, D07 VW0Y
Nature of business: Professional services
Proportion of voting rights 100%

LHB Accounting Limited
93 Malahide Road, Clontarf, Dublin 3, Ireland
Nature of business: Professional services
Proportion of voting rights 100%

Manus Brady Accountancy Services Ltd
Block A, Cashel Business Centre, Cashel Road, Dublin 12, Ireland, D12 XY86
Nature of business: Professional services
Proportion of voting rights 100%

O'Brien Neenan & Co. Ltd
St. Joseph's, Wilton, Bishopstown Road, Cork, Ireland, T12 E270
Nature of business: Professional services
Proportion of voting rights 100%

O'Donovan Lavin & Co (Limerick) Ltd
1 Mount Kennett Place, Henry Street, Limerick, Ireland, V94 NP28
Nature of business: Professional services
Proportion of voting rights 100%

O'Kelly Sutton Limited
Scarton House, Priory Court, Kildare, Ireland
Nature of business: Professional services
Proportion of voting rights 100%

O'Mahony Donnelly Ltd
10 McCurtain Hill, Clonakilty, Co. Cork, Ireland, P85 K230
Nature of business: Professional services
Proportion of voting rights 100%

RTW Accounting Services Ltd
16 Woodstown Village Centre, Knocklyon, Dublin 16, Ireland
Nature of business: Professional services
Proportion of voting rights 100%

Somers Murphy & Earl Business Advisory Services Ltd
46 Upper Mount Street, Dublin, Ireland
Nature of business: Professional services
Proportion of voting rights 100%

Tynan Dillon Advisers Ltd
74 Northumberland Road, Dublin 4, Ireland
Nature of business: Professional services
Proportion of voting rights 100%

Xeinadin Group Limited (XGL) was formed in 2018 for the specific purpose of being the holding company for the consolidation of a large number of accountancy practices. The consolidation of 115 subsidiary companies was completed on 1 June 2019 and was completed via a share for share exchange, except for the opening net working capital, plant and equipment and leased assets of £7,305k which were affected by an intercompany hive-up. The completion of this consolidation resulted in Xeinadin UK Professional Services Limited (a 100% subsidiary of XGL) holding 51% of the ordinary share capital in each of the UK subsidiaries and Xeinadin Professional Services (Ireland) Limited holding an "A" Ordinary share in each of the Irish subsidiaries. This "A" Ordinary share gave XGL via XPSIL the power to appoint and control the board of directors of the Irish subsidiaries and also had an entitlement to a return on investment over a prescribed minimum dividend in each Irish subsidiary.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

16. INVESTMENTS – continued

The accounting policy note 2 on the basis of consolidation explains how in accounting for this transaction XGL is not the acquirer but is the acquiree. The question arises who is the acquirer and using the parameters set out in IFRS 3 App B, this has been identified as CMC Accountancy Limited. This is known as a reverse acquisition. The accounting treatment that has been applied in respect of the reverse takeover is as follows:

- The asset and liabilities of the legal subsidiary CMC Accountancy Limited are recognised and measured in the Group financial statements at the pre-combination carrying amounts without restatement to fair value;

- The retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other reserves of CMC immediately prior to the business combination. The combination occurred on 1 June 2019 therefore CMC had no profits in the year to date and the subsidiaries contributed to consolidated profit for the year ended 31 May 2020;

- The share capital structure in the Group financial statements reflects the share structure of Xeinadin Group Limited including the equity instruments issued to effect the business combination, the cost of the combination has been determined from the perspective of CMC;

- In a reverse acquisition the value of the consideration shares is measured by the fair value of the notional number of equity instruments that CMC would have to issue to give the owners of XGL the same ownership in the combined entity. In this case, the fair value has been derived through considering the fair value of the CMC business at the acquisition date of 1 June 2019 as valued by the Valuations Professional. This acquisition is complicated by the acquisition of the remaining subsidiaries consequently an alternative approach must be taken to the fair value of the consideration using what is considered the most reliable measure. In the opinion of the directors a more reliable measure is the market value of the XGL shares which is the fair value of the business based on market multiples.

ACQUISITIONS

On 1 June 2019 Xeinadin Group Limited acquired an interest in 115 subsidiary companies.

	London	Rest of UK	Republic of Ireland	Total
	£'000	£'000	£'000	£'000
Right of use assets	1,322	4,347	973	6,642
Plant and equipment	393	535	349	1,277
Brand	2,570	3,850	1,930	8,350
Customer relationships	23,950	40,850	18,650	83,450
Trade receivables	1,303	1,205	41	2,549
Prepayments and accrued income	553	599	78	1,230
Contract assets	2,106	4,439	526	7,071
Other debtors	168	236	23	427
Cash and cash equivalents	318	593	23	934
TOTAL ASSETS	32,683	56,654	22,593	111,930
Trade payables	144	247	-	391
Accruals and other payables	53	873	21	947
Contract liabilities	180	1,251	-	1,431
Right of use liabilities	1,338	4,283	973	6,594
Intercompany balances	1,425	2,724	370	4,519
Other creditors	2,327	1,078	57	3,462
Deferred tax arising on acquisition (due to fair value of brand and customer relationships)	4,721	7,958	3,664	16,343
TOTAL LIABILITIES	10,188	18,414	5,085	33,687
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE				78,243
Goodwill arising on acquisition				212,517
TOTAL CONSIDERATION				290,760

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

16. INVESTMENTS - continued

The non-controlling interest on acquisition of £178m was determined by calculating the proportional share of identified net assets attributable to the non-controlling interest (UK 49%, ROI 100%).

As set out above the Group acquired a 51% interest in 89 subsidiaries based in the UK as part of the large consolidation of accountancy practices. Total consideration was £221m and was paid by the share for share exchange in XGL shares.

In addition, 26 subsidiaries were acquired in the Republic of Ireland for a total consideration of £69m which was also settled by the issue of XGL shares.

The commercial rationale for the deal reflects the Group's expected profit opportunities (both opportunistic and synergistic) from the combined power of all 115 entities working together. Through delivery of services at a regional and hub level, supported by the investment in a centralised infrastructure (finance, IT and marketing), the Group is expected to generate greater profitability and benefit from the combined power of the structure. Management note that the remaining goodwill of £184.8m (2020: £204.0m) (note 13) is sufficiently covered by the value in use expected to be generated by the Group on a forward projecting basis.

The goodwill that was generated on the combination of the businesses together principally reflects the combined earning (and sale) potential for the Group as a whole, in addition to the collective skills and expertise of its people. Goodwill is not expected to be tax deductible.

As noted previously, aside from the hive-up of the net working capital, plant and equipment and leased assets into the Group from the previous trading companies, which were settled through inception of intercompany balances, the entire transaction was undertaken through a share for share exchange.

Transaction costs incurred by the Group as a whole were immaterial.

There were no cash flows made specifically in respect of the acquisition of the Group as materially, the combination was effected through a share for share exchange. There were no acquisitions during the year ended 31 May 2021.

DISPOSALS

During the year ended 31 May 2021 the Group disposed of its shareholding in 9 (2020: 4) subsidiary companies. The proceeds of disposal were nil and there was a loss on disposal of £16.3m. Further information relating to the loss on disposal can be found in Note 6. These do not meet the requirements of IFRS 5 for presentation as a discontinued operation since they do not represent major geographical operations or major separate lines of business.

The Group disposed of subsidiaries as follows: -

31 May 2021	
BBK Accountants BMM Ltd	1 June 2020
JP Egan Ltd	1 June 2020
OPL Accountants Ltd	31 October 2020
Baker Clarke FDY Ltd	30 November 2020
Thurles Accountants Ltd	30 November 2020
Kevin Kearney Associates Mill Ltd	26 March 2021
Joy Lane & Co Ltd	31 May 2021
RWB 2018 Ltd	31 May 2021
The Hudson Partnership Ltd	31 May 2021
31 May 2020	
Lalor O'Shea McQuillan Ltd	1 March 2020
Rawlence and Browne UDY Ltd	29 May 2020
A.T. Blackley and Co Ltd	31 May 2020
Burrow and Crowe Accountants Ltd	31 May 2020

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current:				
Trade receivables	20,201	20,414	1	-
Amounts owed by group undertakings	-	-	688	248
Other debtors	1,588	1,583	75	-
Prepayments	<u>1,992</u>	<u>1,890</u>	<u>42</u>	<u>31</u>
	<u>23,781</u>	<u>23,887</u>	<u>806</u>	<u>279</u>

Trade receivables

The average credit period on trade receivables is 71 days (2020: 67 days). No interest is charged on outstanding receivables. The Group does not hold any collateral. The carrying amount of trade and other receivables approximates the fair value.

The Group has adopted the simplified model as the assets are all basic and therefore lifetime expected credit losses are assumed.

The Group recognises a loss allowance of 13.21% (2020-12.6%) for receivables over 120 days. These accounts include a loss allowance of £0.7m (2020- £0.7m) in respect of these debts over 120 days. Based on historical experience this is considered adequate as many customers are slow payers and will require repeat services. Therefore, will need to settle the fees before any additional services are provided.

Other than as disclosed below for the expected credit loss rate, there has been no change in the estimation techniques or significant assumptions made during the current reporting period. In addition to the historical element of the credit loss experience the Group has considered a combination of forward-looking information cut by industry exposure to macro-economic factors including the impact of Covid-19.

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix.

Trade receivables due days at 31 May 2021	Gross carrying amount	Lifetime expected credit losses	Expected credit loss rate
	£'000	£'000	%
Current	9,090	92	1.01
More than 30 days	3,211	59	1.83
More than 60 days	2,045	64	3.14
More than 90 days	1,418	65	4.60
More than 120 days	<u>5,435</u>	<u>718</u>	<u>13.21</u>
	<u>21,199</u>	<u>898</u>	<u>4.71</u>
		2021	2020
		£'000	£'000
Trade receivables and contract assets			
Trade receivables		21,199	21,474
Contract assets		10,836	10,594
Expected credit losses		<u>(1,121)</u>	<u>(1,366)</u>
Net trade receivables and contract assets		<u>30,914</u>	<u>30,702</u>

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

17. TRADE AND OTHER RECEIVABLES -continued

	2021 £'000	2020 £'000
Expected credit loss		
At 31 May 2020	1,366	-
Increase during the year	395	1,367
Utilised during the year	<u>(640)</u>	<u>(1)</u>
At 31 May 2021	<u>1,121</u>	<u>1,366</u>

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank accounts	<u>18,287</u>	<u>16,143</u>	<u>279</u>	<u>247</u>

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Trade payables	1,905	1,787	134	30
Amounts owed to group undertakings	-	-	232	118
Social security and other taxes	8,853	9,400	126	72
Other creditors	6,038	7,468	2	1
Accrued expenses	<u>3,148</u>	<u>4,680</u>	<u>630</u>	<u>586</u>
	<u>19,944</u>	<u>23,315</u>	<u>1,124</u>	<u>807</u>

Trade payables and accruals comprise amounts outstanding for trade purchases and ongoing costs. The carrying amount of trade and other payables approximates the fair value.

20. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Bank loans	399	323	-	-
Other loans	204	323	-	49
Leases (see note 20)	<u>1,800</u>	<u>2,082</u>	<u>-</u>	<u>-</u>
	<u>2,403</u>	<u>2,728</u>	<u>-</u>	<u>49</u>
Non-current:				
Bank loans	982	950	-	-
Other loans	13	25	-	-
Leases (see note 20)	<u>7,795</u>	<u>7,793</u>	<u>-</u>	<u>-</u>
	<u>8,770</u>	<u>8,768</u>	<u>-</u>	<u>-</u>

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

21. LEASING

**Group
Right-of-use assets**

Property, plant and equipment

	2021	2020
	£'000	£'000
COST OR VALUATION		
At 1 June 2020	11,520	-
Additions	2,165	11,520
Loss of control	(1,007)	-
Exchange differences	<u>(103)</u>	<u>-</u>
	12,575	11,520
DEPRECIATION		
At 1 June 2020	1,864	-
Charge for year	2,117	1,868
Loss of control	(315)	-
Exchange differences	<u>(228)</u>	<u>(4)</u>
	3,438	1,864
NET BOOK VALUE	<u>9,137</u>	<u>9,656</u>

The right-of-use assets relate predominately to office facilities occupied by the employees of the subsidiary companies who provide professional services to their customer base.

The Group does not consider that there would be any material impact on the business should extensions not be granted to the existing leases or if early termination was required by either the Group or the lessors.

The internal borrowing rate used is the rate appertaining to the individual subsidiary companies who are the parties to the leases, the internal borrowing rate varies across the Group between 3% and 5%.

Group

	2021	2020
	£'000	£'000
Leases		
At 1 June 2020	9,875	-
Additions on business combinations	-	6,642
Additions	2,165	4,878
Loss of control	(688)	-
Lease payments in year	<u>(2,088)</u>	<u>(1,939)</u>
Interest unwinding	<u>332</u>	<u>294</u>
	<u>9,595</u>	<u>9,875</u>

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

21. LEASING - continued

Lease liabilities

Minimum lease payments fall due as follows:

	2021 £'000	2020 £'000
Gross obligations repayable:		
Within one year	2,089	2,424
Between one and five years	8,517	8,797
	<u>10,606</u>	<u>11,221</u>
Finance charges repayable:		
Within one year	289	342
Between one and five years	<u>722</u>	<u>1,004</u>
	<u>1,011</u>	<u>1,346</u>
Net obligations repayable:		
Within one year	1,800	2,082
Between one and five years	<u>7,795</u>	<u>7,793</u>
	<u>9,595</u>	<u>9,875</u>

At 31 May 2021, the Group is committed to £9.6m (2020-£9.8m) in future lease payments, none of which relates to short-term leases. The carrying amount of the lease liabilities approximates the fair value.

The Group's obligations are secured by the lessors' title to the leased offices which have a carrying value of £9.1m (2020-£9.7m). The Group does not face a significant liquidity risk with regard to its lease liabilities and these are monitored as part of the overall process of managing cash flows.

22. FINANCIAL INSTRUMENTS

Group

Classes and categories of financial instruments and their fair values

The statement of financial position is analysed below:

	Amortised cost		Fair value through profit or loss		Balance in the statement of financial position	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other receivables	21,789	21,997	-	-	21,789	21,997
Cash and bank balances	18,267	16,143	-	-	18,267	16,143
Contract assets	10,713	10,288	-	-	10,713	10,288
Trade and other payables	11,091	13,915	-	-	11,091	13,915
Lease liabilities	9,595	9,875	-	-	9,595	9,875
Loans and borrowings	1,578	1,621	-	-	1,578	1,621

The financial instruments are stated at their amortised costs.

The Group is exposed to the following financial risks from its use of financial instruments which mainly comprise of trade receivables, contract assets and cash.

Market risk

The Group is exposed to interest rate and foreign exchange rates.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2021

22. FINANCIAL INSTRUMENTS – continued

a) Interest rate

The Group exposure to interest rate risk is low as it only has a small amount of bank loans. The group does not use derivative instruments to reduce its economic exposure to change in interest rates. A 1% increase in interest rates would give rise to an increase of £15,780 in interest charges.

b) Foreign exchange risk

The majority of the Group's sales are made, and income is earned, in GBP with the balance in Euros. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The following is the Euros rate applied during the year:
Euros to GBP: Average rate x 0.8896 (2020: 0.8775), closing rate x 0.8604 (2020: 0.9004).
The majority of the Group's transactions are carried out in the respective functional currencies of the group's operations and so transaction exposure is minimal. Given the minimal nature of these exposures the group does not have any cashflow hedging instruments.

Credit risk

This is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The Group's credit risk is primarily attributable to trade receivables. The board consider this to be a lower risk because the nature of business involves a high volume and low value transactions. The credit risk is spread over a large number of unrelated counterparties and customers. In addition, the Group holds long standing relationships with a very large percentage of its customers and closely monitors the credit worthiness of customers and reviews aged analysis reports. If amounts are no longer considered recoverable, they are written off. The Group applied IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets. The expected loss rates derived from this assessment are adjusted to reflect current and forward thinking information affecting the ability of customers to pay. The Group has over 40,000 customers, the largest of which generates total fees of less than £200,000 and as a consequence the credit risk is widely spread and the Group has no exposure to any one single customer. Cash balances are held with strong rated commercial banks and therefore the credit risk is expected to be low.

Liquidity risk

This is the risk that the Group cannot meet its financial obligations as they fall due. This is considered to be a low risk as the Group has significant cash reserves and very low borrowing levels. In order to minimise the risk the board regularly monitors forecasts and actual cash flows in order to ensure the Group can meet its obligations.

The below table shows the gross, contractual cash flow commitments on the Group's financial liabilities.

	Carrying amount £'000	Gross contractual cash flows £'000	Falling due in 1 year £'000	Falling due in 1-2 years £'000	Falling due in 2-5 years £'000	Falling due in 5+ years £'000
2021						
Trade and other payables	11,091	11,091	11,091	-	-	-
Bank and other loans	1,578	1,664	615	438	600	11
Lease liabilities	9,595	10,606	2,089	2,275	6,242	-
Total	22,264	23,361	13,795	2,713	6,842	11
2020						
Trade and other payables	13,914	13,914	13,914	-	-	-
Bank and other loans	1,621	1,759	711	318	579	151
Lease liabilities	9,876	11,221	2,424	4,298	4,499	-
Total	25,411	26,894	17,049	4,616	5,078	151

XEINADIN GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2021**

23. DEFERRED TAX

Group

	2021 £'000	2020 £'000
Balance at 1 June 2020	13,928	-
Arising on capitalisation of intangibles	-	16,104
Released on amortisation of intangibles	(1,678)	(1,785)
Released on disposal of intangibles	(832)	(506)
Accelerated capital allowances	1	114
Re-measurement of tax to enacted rate of 25%	<u>3,110</u>	<u>-</u>
Balance at 31 May 2021	<u>14,538</u>	<u>13,928</u>
The balance comprises:		
Amount attributable to intangibles	14,423	13,814
Accelerated capital allowances	<u>115</u>	<u>114</u>
Balance at 31 May 2021	<u>14,538</u>	<u>13,928</u>

Company

	2021 £'000	2020 £'000
Accelerated capital allowances	6	-
Losses carried forward	<u>(1)</u>	<u>-</u>
Balance at 31 May 2021	<u>5</u>	<u>-</u>
The balance comprises:		
Accelerated capital allowances	<u>5</u>	<u>-</u>

Deferred tax liabilities have been measured at the rate they are expected to unwind at, using rates substantively enacted at 31 May 2021.

24. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		2021	2020
Number:	Class:	Nominal value:	
		£	£
2,019	Member shares	.01	20
10,310	Deferred shares	.01	102
		<u>124</u>	<u>122</u>
		<u>124</u>	<u>122</u>

The holders of the member shares have full voting rights, the right to receive dividends and the right to share in any return of capital. The holders of the deferred shares have no rights other than to a return of capital at par value.

25. RESERVES

The purpose of each reserve is as follows:

Retained earnings

This represents distributable profits earned since the formation of the Group, net of dividends paid to the holders of the equity of the Group.

Share premium

This represents the portion of the excess value of the shares issued in exchange for the acquisition of the Group's subsidiaries as part of the combination on 1 June 2019, as attributable to the holders of the equity of the Group. This includes the premium in respect of Crowley & McCarthy Accountancy Limited's acquisition of Xeinadin Group Limited as reverse acquirer.

Reverse acquisition reserve

This reserve was created on the reverse takeover of Xeinadin Group Limited by Crowley & McCarthy Accountancy Limited.

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 MAY 2021**

25. RESERVES - continued

Non-controlling interest

This represents the portion of the excess value of the shares issued in exchange for the acquisition of the Group's subsidiaries as part of the combination on 1 June 2019, as attributable non-controlling shareholders of the Group. In addition to this the profits for the year as attributable to the non-controlling interests, net of dividends paid, are represented within this reserve.

26. PENSION COMMITMENTS

The Group operates defined contribution schemes. During the year the Group contributed £2.4m (2020: £1.4m). There were outstanding contributions at the balance sheet date of £0.2m (2020: £0.2m) included within other creditors.

27. CONTINGENT LIABILITIES

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

The Group maintains Professional Indemnity Insurance and can confirm that there are no material claims outstanding relating to the period since the Group was formed on 1 June 2019.

Similarly, the Group does not have any material exposure on Property Dilapidations.

28. CAPITAL COMMITMENTS

At the balance sheet date the Group had no material commitments in respect of property, plant and equipment (2020: £nil).

29. RELATED PARTY DISCLOSURES

	Transaction amount		Balance owed	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Companies in which Directors or their immediate family have a significant/controlling interest				
Income earned from related parties	535	131	114	46
Purchases from related parties	392	287	131	46

The key management personnel comprise of the Group board who plan, control and monitor the activities of the Group. Details of their remuneration are given in note 5.

The subsidiary undertakings listed in note 16 are related parties of the parent company. The transactions entered into with subsidiaries during the year are eliminated on consolidation. These transactions include management charges and charges for the cost of services provided.

The total amount of transactions entered with subsidiaries during the year was as follows:

	2021	2020
	£'000	£'000
Income earned from subsidiaries	5,119	1,263
Dividends received from subsidiaries (Included in Income above)	3,058	-
Purchases from subsidiaries	391	351

XEINADIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 MAY 2021**

30. SUBSEQUENT EVENTS

Since the balance sheet date, the Group has continued to successfully navigate the business through the Covid-19 pandemic and related lockdowns. The Group is in advanced negotiations with a number of accountancy practices to acquire those practices as part of the Xeinadin Group. The Xeinadin Group expects to fund the acquisition of these entities by an equity transaction.

Tax rates with effect from 1 April 2023 are expected to rise to 25% in accordance with the fact that the Finance Bill has received royal assent. Given the substantive enactment of this tax rate on 24 May 2021, the deferred tax balance (see note 23) has been re-measured by £3.1m to factor in the impact of the higher rate.

In October 2021, the Group successfully agreed the purchase of 100% of the share capital of a target company to join the Xeinadin Group, on the basis of total cash consideration payable of £2.0m. £1m will be payable by end of March 2022 and two further instalments of £0.5m will be payable on the first and second anniversaries of the initial payment date. Given the proximity of this event to the date of signing these financial statements, management have not yet conducted a purchase price allocation exercise on the acquisition.

Further potential acquisitions have been targeted and are at varying stages, including 3 entities that have agreed Heads of Terms with the Group.

31. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

The following is a reconciliation of cash flow and non-cash flow movements relating to the financing of the Group, in accordance with the requirements of IAS 7.44(A).

Year ended 31 May 2021						
	2020	Repayments	New loans	Interest paid	Non cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Long term borrowings	975	-	440	(5)	(435)	975
Short term borrowings	646	(482)	-	(2)	441	603
Lease liabilities	9,875	(1,755)	-	(332)	1,808	9,595
Total debt liabilities	11,496	(2,236)	440	(339)	1,814	11,173

Year ended 31 May 2020						
	2019	Repayments	New loans	Interest paid	Non cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Long term borrowings	-	-	975	(11)	11	975
Short term borrowings	-	(91)	737	(8)	8	646
Lease liabilities	-	(1,645)	-	(294)	11,814	9,875
Total debt liabilities	-	(1,736)	1,712	(313)	11,833	11,496

The "non-cash" items to the above are primarily in relation to the taking on of new leases which create a large upfront lease liability without cash changing hands, in addition to changes in the maturity profile of borrowings as future instalments fall due.

32. CAPITAL MANAGEMENT

The Group is not subject to either internally or externally imposed capital requirements. The Group's objective when managing capital is to provide sufficient resources to allow the growth and development of the Group in order to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. No changes were made in objectives, policies and processes during the current or previous year.

The Group does not consider anything other than share capital in this assessment.