

**XN GLOBAL SYSTEMS GROUP LIMITED
(FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)**

UNAUDITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)

COMPANY INFORMATION

Directors	M C Pearman G J Spicer I H H Dignas (resigned 14 February 2023) M B Osthues (resigned 5 January 2022) D Rice
Company secretary	K Spedding
Registered number	10135622
Registered office	6th Floor 60 Gracechurch Street London EC3V 0HR

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Business review

The results for the year and financial position of the Group are as shown in the annexed financial statements.

The Group achieved a profit before tax of £3,154,832 (2021: £250,774) for the year ended 31 December 2022 on revenue of £6,780,591 (2022: £6,091,634).

Group revenues increased by 11.3% compared to the previous year due mainly to the hospitality market starting to recover from the COVID-19 pandemic. During 2022 the Group increased investment in the development of its point of sale and residential property management systems businesses but still achieved a pleasing Operating profit of £249,082 (2022: £251,118).

In order to focus on the development of its own software product business units the Group sold its UK and Dubai based hotel property management system reseller business with effect from 31 December 2022. The sale generated a net profit of £2,915,682 and as a result has significantly strengthened the Group balance sheet.

As a result of the sale of the UK and Dubai PMS reseller businesses the Group will lose some £1m of recurring revenue which has resulted in a transitional period for the Group in 2023 while the remaining business units achieve profitability.

Principal risks and uncertainties

The Group seeks to manage the risk of losing customers by improving the service provided while maintaining strong relationships with key customers. The Group seeks to manage the risk of decreased revenues from existing customers, due to budget constraints, by widening its customer base.

The main financial risks arising from the Group's activities are price risk, credit risk, liquidity risk and exchange rate risk.

The Directors monitor pricing risk and believe that as a result of increasing competition the pricing of certain of the products which the Group sells is under pressure and may fall in real terms. The Directors are addressing this risk by increasing the focus of the Group in selling products which are subject to less price pressure and also by increasing sales volumes.

The Group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made and to monitor payments against contractual agreements for existing customers.

The Group has access to funds from its subsidiary companies and, therefore, the Directors consider that there is no significant liquidity risk.

The Group's policy in respect of exchange rate risk is to maintain bank accounts denominated in foreign currencies to facilitate day to day trading transactions.

Financial key performance indicators

Revenues, margin and operating profit are the main measures used to monitor the performance of the Group.

The operating profit margin for the year ended 31 December 2022 was 3.7% (2021: 4.1%).

This report was approved by the board and signed on its behalf.

M C Pearman

Director

Date: 5 January 2024

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Group in the year under review was that of providing software solutions to the hotel industry. The principal activity of the company in the year under review was that of a holding company.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £3,075,514 (2021 - £151,151).

No interim dividend (2020: £nil) was paid during the year.

Directors

The directors who served during the year were:

M C Pearman
G J Spicer
I H H Dignas (resigned 14 February 2023)
M B Osthues (resigned 5 January 2022)
D Rice

Financial instruments

The Group continues to finance operations from loans from shareholders and retained earnings.

The financial instruments utilised are those necessary to facilitate the Group's ordinary trade activities, namely cash, trade payables and receivables and loans from shareholders.

Small companies' exemption note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

M C Pearman
Director

Date: 5 January 2024

XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Revenue	5	6,780,591	6,091,634
Cost of sales		(1,825,048)	(2,344,429)
Gross profit		4,955,543	3,747,205
Other operating income	6	246,789	255,448
Administrative expenses		(4,953,250)	(3,751,535)
Profit from operations		249,082	251,118
Finance income	8	78	8
Finance expense	8	(10,010)	(352)
Amounts written off and p/l on disposals		2,915,682	-
Profit before tax		3,154,832	250,774
Tax expense	9	(57,304)	(65,449)
Profit for the year		3,097,528	185,325
Total comprehensive income		3,097,528	185,325
Profit for the year attributable to:			
Owners of the parent		3,075,514	151,151
Non-controlling interests		22,014	34,174
		3,097,528	185,325
Total comprehensive income attributable to:			
Owners of the parent		3,075,514	151,151
Non-controlling interests		22,014	34,174
		3,097,528	185,325

The notes on pages 11 to 29 form part of these financial statements.

XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)
REGISTERED NUMBER: 10135622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Assets			
Non-current assets			
Property, plant and equipment	10	26,464	46,774
Deferred tax assets	9	434	434
		<hr/>	<hr/>
		26,898	47,208
Current assets			
Inventories	12	119,229	50,304
Trade and other receivables	13	1,668,258	1,974,333
Cash and cash equivalents		894,446	649,356
Tax recoverable	16	15,508	334
		<hr/>	<hr/>
		2,697,441	2,674,327
		<hr/>	<hr/>
Total assets		2,724,339	2,721,535
		<hr/>	<hr/>
Liabilities			
Non-current liabilities			
Trade and other liabilities	14	1,656,350	1,661,350
		<hr/>	<hr/>
		1,656,350	1,661,350
Current liabilities			
Trade and other liabilities	14	2,924,583	5,740,467
Loans and borrowings	15	-	2,517
		<hr/>	<hr/>
		2,924,583	5,742,984
		<hr/>	<hr/>
Total liabilities		4,580,933	7,404,334
		<hr/>	<hr/>
Net liabilities		(1,856,594)	(4,682,799)
		<hr/> <hr/>	<hr/> <hr/>

XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)
REGISTERED NUMBER: 10135622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022	2021
		£	£
Issued capital and reserves attributable to owners of the parent	18		
Share capital	17	91,510	91,510
Share premium reserve		795,642	795,642
Foreign exchange reserve		(423,093)	(155,749)
Other reserves		(2,168,997)	(2,168,997)
Retained earnings		(204,340)	(3,279,854)
		<hr/>	<hr/>
		(1,909,278)	(4,717,448)
Non-controlling interest		52,684	34,649
		<hr/>	<hr/>
TOTAL EQUITY		<u>(1,856,594)</u>	<u>(4,682,799)</u>

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to the companies subject to the small companies regime.

The financial statements on pages 3 to 29 were approved and authorised for issue by the board of directors on 5 January 2024 and were signed on its behalf by:

M C Pearman
Director

The notes on pages 11 to 29 form part of these financial statements.

XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)
REGISTERED NUMBER: 10135622

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Assets			
Non-current assets			
Other non-current investments	11	2,689,002	2,689,002
Total assets		2,689,002	2,689,002
Liabilities			
Non-current liabilities			
Trade and other liabilities	14	1,832,535	1,832,535
Current liabilities			
Trade and other liabilities	14	750	750
Total liabilities		1,833,285	1,833,285
Net assets		855,717	855,717
Issued capital and reserves attributable to owners of the parent			
Share capital	17	91,510	91,510
Share premium reserve		795,642	795,642
Retained earnings		(31,435)	(31,435)
TOTAL EQUITY		855,717	855,717

The Company's loss for the year was £Nil (2021 - £Nil)

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to the companies subject to the small companies regime.

XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN PROTEL SYSTEMS GROUP LIMITED)
REGISTERED NUMBER: 10135622

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements on pages 3 to 29 were approved and authorised for issue by the board of directors on 5 January 2024 and were signed on its behalf by:

M C Pearman
Director

Date: 5 January 2024

The notes on pages 11 to 29 form part of these financial statements.

**XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN
PROTEL SYSTEMS GROUP LIMITED)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital	Share premium	Foreign exchange reserve	Other reserves	Retained earnings	Total tributable to equity holders of parent	controlling interest	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2022	91,510	795,642	(155,749	(2,168,997	(3,279,854	(4,717,448	34,649	(4,682,799
)))))
Profit for the year	-	-	-	-	3,075,514	3,075,514	22,014	3,097,528
Total comprehensive income for the year	-	-	-	-	3,075,514	3,075,514	22,014	3,097,528
Other movements	-	-	(267,344	-	-	(267,344	(3,979	(271,323
))))
Total contributions by and distributions to owners	-	-	(267,344	-	-	(267,344	(3,979	(271,323
))))
At 31 December 2022	91,510	795,642	(423,093	(2,168,997	(204,340	(1,909,278	52,684	(1,856,594
)))))

The notes on pages 11 to 29 form part of these financial statements.

**XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN
PROTEL SYSTEMS GROUP LIMITED)**

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

	Share capital £	Share premium £	Foreign exchange reserve £	Other reserves £	Retained earnings £	Total tributable to equity holders of parent £	controlling interest £	Total equity £
At 1 January 2021	91,510	795,642	(95,245	(2,168,997	(3,431,005	(4,808,095	(20,288	(4,828,383
))))))
Profit for the year	-	-	-	-	151,151	151,151	34,174	185,325
Total comprehensive income for the year	-	-	-	-	151,151	151,151	34,174	185,325
Other movements	-	-	(60,504	-	-	(60,504	20,763	(39,741
)))
Total contributions by and distributions to owners	-	-	(60,504	-	-	(60,504	20,763	(39,741
)))
At 31 December 2021	<u>91,510</u>	<u>795,642</u>	<u>(155,749</u>	<u>(2,168,997</u>	<u>(3,279,854</u>	<u>(4,717,448</u>	<u>34,649</u>	<u>(4,682,799</u>
)))))

The notes on pages 11 to 29 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		3,097,528	185,325
Adjustments for			
Depreciation of property, plant and equipment	10	47,695	73,016
Finance income	8	(78)	(8)
Finance expense	8	452	352
Net foreign exchange gain		(272,918)	(41,846)
Income tax expense	9	42,468	65,458
		<u>2,915,147</u>	<u>282,297</u>
Movements in working capital:			
Decrease/(increase) in trade and other receivables		306,075	(345,669)
Increase in inventories		(68,925)	(24,761)
(Decrease)/increase in trade and other payables		(2,820,884)	261,771
		<u>331,413</u>	<u>173,638</u>
Cash generated from operations			
Income taxes paid		(57,642)	(65,721)
		<u>273,771</u>	<u>107,917</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(25,790)	(89,665)
Interest received		78	8
		<u>(25,712)</u>	<u>(89,657)</u>
Cash flows from financing activities			
Repayment of bank borrowings		(2,517)	(22,484)
Interest paid on convertible loan notes		(452)	(352)
		<u>(2,969)</u>	<u>(22,836)</u>
Net cash used in financing activities			
		<u>245,090</u>	<u>(4,576)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		649,356	653,932
		<u>894,446</u>	<u>649,356</u>

The notes on pages 11 to 29 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

1.2 New accounting standards, interpretations and amendments

a) New standards, interpretations and amendments effective from 1 January 2020

There are no new or amended standards and Interpretations issued by the IASB that are expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

b) New standards, interpretations and amendments not yet effective

At the date of signing of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted:

IFRS 3 Clarification over the definition of a business.

IFRS 7 Amendments regarding pre-replacement issues in the context of the IBOR reform

IFRS 9 Amendments regarding pre-replacement issues in the context of the IBOR reform

IFRS 17 Insurance contracts Original issue

IAS 1 Amendment regarding the definition of material

IAS 1 Amendments regarding the classification of liabilities

IAS 39 Amendments regarding pre-replacement issues in the context of the IBOR reform

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company.

1.3 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries made up to 31 December 2022.

Xn Global Systems Group Limited was incorporated on 20 April 2016 to operate as the holding company for the group. The Company became the holding company for the Group through a group reconstruction on 18 May 2016 when the company acquired the share capital of Xn Global Systems Holdings Limited.

The share capital of Xn Global Systems Holdings Limited was acquired in part by way of a share for share exchange. Certain of the shares were acquired under a separate arrangement.

Merger accounting has been used for the group reconstruction. Under the Companies Act 2006, the use of merger accounting is allowed only if certain conditions are satisfied. One such condition is that the ultimate equity holders remain substantially the same and, whilst many of the equity holders did remain the same, this condition was not satisfied in full. However, the directors consider that the use of merger accounting is required in order for the financial statements to show a true and fair view.

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such subsidiaries are included for the whole period in which they join the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.4 Revenue recognition

Revenue represents amounts invoiced during the accounting period excluding VAT together with the value of work completed but not invoiced at the balance sheet date. Project revenue is calculated having regard to the proportion of the total contract which has been completed at the balance sheet date. Maintenance revenue is recognised on a monthly basis over the course of the maintenance agreement.

1.5 Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. Goodwill is capitalised and classified as an asset on the balance sheet. In accordance with International Financial Reporting Standard 3, Business Combinations, goodwill is not amortised however where a business is sold, or where goodwill has been impaired, the net book value of goodwill or the amount of impaired goodwill, as applicable, is charged through the profit and loss account as part of the profit or loss on disposal in the year of disposal or impairment. The directors have considered the impact of COVID-19 whilst making this assessment.

1.6 Going concern

While the sale of the UK & Dubai based hotel property management system reseller business has significantly strengthened the Group balance sheet it has, as referred to in the Business Review, resulted in the loss of some £ 1m of recurring revenue. The loss of this revenue will in turn give rise to a period of unprofitable trading in the remaining group business units.

In order to consider the ability of the Group to continue as a going concern through this transitional phase the Directors have prepared financial projections through to the end of 2024 and, based on these projections, are satisfied that the Group has adequate resources to continue trading for the foreseeable future.

In addition the Directors plan to seek external funding in 2024 to accelerate the development of the remaining Group business.

1.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate of 8% is based on the interest rate of current borrowings.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in the 'Loans and borrowings' line in the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.7 Leasing (continued)

The Group as a lessee (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, Plant and Equipment' and 'Investment Property' lines, as applicable, in the Consolidated Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1.13.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

1.8 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.8 Foreign currency (continued)

comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

1.9 Employee benefit costs

The group operates a defined contribution pension scheme. Contributions to the group's pension scheme are charged to the income statement in the period to which they relate.

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.11 Share-based payments

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1.12 Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable the taxable profit will be available, against which those deductible temporary differences can be utilised.

Income tax expense represents the sum of the tax currently payable and deferred tax.

1.13 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

Computer software	33% straight line
Fixtures and fittings	20% straight line
Other property, plant and equipment	Over the remaining useful life of the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1.15 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.16 Non-controlling interests

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

2. Reporting entity

XN Global Systems Group Limited (formerly XN Protel Systems Group Limited) (the 'Company') is a limited company incorporated in England. The Company's registered office is at 6th Floor, 60 Gracechurch Street, London EC3V 0HR. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in software solutions for the hotel industry.

3. Effects of application of new and revised International Financial Reporting Standards (IFRS)

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.2.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 at 8%.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of use assets – increase by £46,437
- Right-of-use liability – increase by £46,437

4. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2022 £	2021 £
Sale of goods	<u>6,780,591</u>	<u>6,091,634</u>

Analysis of revenue by country of destination:

	2022 £	2021 £
United Kingdom	1,812,017	2,047,533
Rest of Europe	1,131,069	575,360
Rest of the World	3,837,505	3,468,741
	<u>6,780,591</u>	<u>6,091,634</u>

Timing of revenue recognition:

	2022 £	2021 £
Goods and services transferred over time	6,780,591	6,091,634

Revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the year end is summarised as follows:

	Goods and services £	Total £
2022	344,983	344,983
2021	<u>702,577</u>	<u>702,577</u>

6. Other operating income

	2022 £	2021 £
Other operating income	<u>246,789</u>	<u>255,448</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Employee benefit expenses

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

	2022	2021
	£	£
Employee numbers	<u>83</u>	<u>82</u>

Total directors' emoluments for the year were £283,837 (2021: £271,245), comprising salaries of £227,971 (2021: £239,450) and benefits in kind of £55,867 (2021: £31,795). Non-executive directors' fees were £18,469 (2021: £11,619).

Total other key management personnel emoluments for the year were £394,146 (2021: £393,658) comprising salaries of £342,814 (2021: £345,133) and benefits in kind of £51,332 (2021: £48,525).

8. Finance income and expense

Recognised in profit or loss

	2022	2021
	£	£
Finance income		
Interest receivable	78	8
Finance expense		
Bank interest payable	10,010	352
Net finance expense recognised in profit or loss	<u>(9,932)</u>	<u>(344)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Tax expense

9.1 Income tax recognised in profit or loss

	2022 £	2021 £
Current tax		
Current tax on profits for the year	57,304	65,434
Deferred tax expense		
Origination and reversal of timing differences	-	15
	<u>57,304</u>	<u>65,449</u>

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

	2022 £	2021 £
Profit for the year	3,097,528	185,325
Income tax expense (including income tax on associate, joint venture and discontinued operations)	57,304	65,449
Profit before income taxes	<u>3,154,832</u>	<u>250,774</u>
Tax using the Company's domestic tax rate of 19% (2021:19%)	599,418	47,647
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	(542,114)	17,802
Total tax expense	<u>57,304</u>	<u>65,449</u>

Changes in tax rates and factors affecting the future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The effects of these changes are not expected to be material.

9.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2022 £	2021 £
Deferred tax assets	434	434
	<u>434</u>	<u>434</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Tax expense (continued)

9.2 Deferred tax balances (continued)

	Recognised in profit or loss £	Closing balance £
2022		
Other items	<u>434</u>	<u>434</u>
2021		
Other items	<u>434</u>	<u>434</u>

10. Property, plant and equipment

Group

	Computer software £	Fixtures and fittings £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 January 2021	559,866	121,960	119,689	801,515
Additions	16,413	-	-	16,413
Disposals	(593)	(75,281)	-	(75,874)
Foreign exchange movements	504	-	-	504
At 31 December 2021	<u>576,190</u>	<u>46,679</u>	<u>119,689</u>	<u>742,558</u>
Additions	21,982	3,808	-	25,790
Disposals	(6,142)	-	-	(6,142)
Foreign exchange movements	18,824	1,501	12,335	32,660
At 31 December 2022	<u><u>610,854</u></u>	<u><u>51,988</u></u>	<u><u>132,024</u></u>	<u><u>794,866</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Property, plant and equipment (continued)

	Computer software	Fixtures and fittings	Other property, plant and equipment	Total
	£	£	£	£
Accumulated depreciation and impairment				
At 1 January 2021	550,244	117,398	93,186	760,828
Charge owned for the year	11,950	245	-	12,195
Disposals	(551)	(75,281)	(1,407)	(77,239)
At 31 December 2021	561,643	42,362	91,779	695,784
Charge owned for the year	16,726	635	30,334	47,695
Disposals	(6,142)	-	-	(6,142)
Exchange adjustments	19,653	1,501	9,911	31,065
At 31 December 2022	<u>591,880</u>	<u>44,498</u>	<u>132,024</u>	<u>768,402</u>
Net book value				
At 1 January 2021	9,622	4,562	26,503	40,687
At 31 December 2021	14,547	4,317	27,910	46,774
At 31 December 2022	<u>18,974</u>	<u>7,490</u>	<u>-</u>	<u>26,464</u>

**XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN
PROTEL SYSTEMS GROUP LIMITED)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11 Subsidiaries

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

Name of subsidiary	Country of incorporation	Nature of business	Class of share	% held	Aggregate capital and reserves 2022	Aggregate capital and reserves 2021	Profit/(loss) 2022	Profit/(loss) 2021
Xn Global Systems Holdings Limited	England	Holding company	A & B Ordinary		(2,459)	(2,047)	(411)	(358)
Xn Global Systems Limited	England	Software solutions for the hotel industry	Ordinary		3,690	1,460	2,230	311
Xn Protel Systems (Australia) PTY Limited	Australia	Software solutions for the hotel industry	Ordinary		(311)	(4)	110	170
XMS RPM Inc (formerly Xn Protel Systems, Inc)	America	Software solutions for the hotel industry	Ordinary		(1,680)	(1,541)	57	(88)
Xn Protel Systems (Asia) PTE Limited	Singapore	Software solutions for the hotel industry	Ordinary		(607)	(747)	291	126
Xn Hotel Systems (India) PVT Limited	India	Software solutions for the hotel industry	Ordinary		151	165	(8)	42
Xn Hotel Systems Vietnam Co. Limited	Vietnam	Software solutions for the hotel industry	Ordinary		(96)	(89)		8
Xn Protel Systems (Hong Kong) Limited	Hong Kong	Software solutions for the hotel industry	Ordinary		(531)	(476)		37
Xn Hotel Systems (Shanghai) Limited	China	Software solutions for the hotel industry	Ordinary		(563)	(466)	(83)	(39)

**XN GLOBAL SYSTEMS GROUP LIMITED (FORMERLY XN
PROTEL SYSTEMS GROUP LIMITED)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Name of subsidiary	Country of incorporation	Nature of business	Class of share	% held	Aggregate capital and reserves 2022	Aggregate capital and reserves 2021	Profit/(loss) 2022	Profit/(loss) 2021
Xn Protel Systems ME FZE		Software solutions for the hotel industry		100	544,523	(227,624)	742,363	40,778
Xn Protel Systems SDN BHD	Malaysia	Software solutions for the hotel industry	Ordinary)	(6)	(56)	(1)	(1)
Xn Global Systems Inc	America	Software solutions for the hotel industry	Ordinary)	(155)	(106)	(29)	(72)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Inventories

Group

	2022 £	2021 £
Stock of finished goods	<u>119,229</u>	<u>50,304</u>

13. Trade and other receivables

Group

	2022 £	2021 £
Current		
Trade receivables	1,371,456	1,666,164
Receivables from related parties	34,980	-
Total financial assets other than cash and cash equivalents classified as loans and receivables	<u>1,406,436</u>	<u>1,666,164</u>
Prepayments and accrued income	232,235	247,139
Other receivables	29,587	61,030
Total current trade and other receivables	<u>1,668,258</u>	<u>1,974,333</u>

Company

	2022 £	2021 £
Investments in subsidiary companies	<u>2,689,002</u>	<u>2,689,002</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Trade and other payables

Group

	2022 £	2021 £
Non-current		
Other payables	1,656,350	1,661,350
Total non-current trade and other payables	<u>1,656,350</u>	<u>1,661,350</u>
Current		
Trade payables	614,599	3,016,047
Other payables	237,010	283,363
Accruals	157,251	267,337
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>1,008,860</u>	<u>3,566,747</u>
Other payables - tax and social security payments	450,495	713,128
Deferred income	1,465,228	1,460,592
Total current trade and other payables	<u>2,924,583</u>	<u>5,740,467</u>

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

Company

	2022 £	2021 £
Non-current		
Payables to related parties	191,185	186,185
Other payables	1,641,350	1,646,350
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>1,832,535</u>	<u>1,832,535</u>
Total non-current trade and other payables	<u>1,832,535</u>	<u>1,832,535</u>
Current		
Accruals	750	750
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>750</u>	<u>750</u>
Total current trade and other payables	<u>750</u>	<u>750</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Loans and borrowings

Group

	2022 £	2021 £
Non-current		
Current		
Lease liabilities	-	2,517

Hire purchase contracts are secured on the related assets.

16. Current asset investments

Group

	2022 £	2021 £
Tax recoverable	15,508	334

17. Share capital

Authorised

	2022 Number	2022 £	2021 Number	2021 £
Shares treated as equity				
Ordinary shares of £0.01 each	9,151,000	91,510	9,151,000	91,510
	<u>9,151,000</u>	<u>91,510</u>	<u>9,151,000</u>	<u>91,510</u>

Issued and fully paid

	2022 Number	2022 £	2021 Number	2021 £
Ordinary shares of £0.01 each				
At 1 January and 31 December	<u>9,151,000</u>	<u>91,510</u>	<u>9,151,000</u>	<u>91,510</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

18. Reserves

Share premium

Share premium is the amount which the Company received for a share issue in excess of its nominal value.

Foreign exchange reserve

The foreign exchange reserve is the accumulated exchange gains or losses on translation of foreign subsidiaries during consolidation at the year end date.

Merger reserve

The merger reserve represents the difference between the amount payable by Xn Global Systems Group Limited to acquire the share capital of Xn Global Systems Holdings Limited and the book value of the share capital of Xn Global Systems Holdings Limited. This restructuring of the group has been accounted for using the merger accounting basis of consolidation.

Retained earnings

Retained earnings comprises the Group's accumulated profits or losses.

19. Non-controlling interests

	2022 £	2021 £
Balance at beginning of the year	34,649	(20,288)
Share of profit for the year	22,014	34,174
Other movements	(3,979)	20,763
	<u>52,684</u>	<u>34,649</u>

20. Financial instruments - fair values and risk management

20.1 Fair values

In the opinion of the directors there is no material difference between the carrying amount and the fair values for trade and other receivables, cash and cash equivalents, trade and other payables or borrowings.

20.2 Foreign currency risk

Foreign currency risk is limited because the majority of all financial assets and financial liabilities are denominated in local currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Financial instruments - fair values and risk management (continued)

20.3 Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

The group's policy in respect of credit risk is shown in the group strategic report.

The maximum potential exposure to credit risk at the reporting date was £1,336,789 (2021: £1,681,850) being the total of the carrying amount of the financial assets shown in the Consolidated Statement of Financial Position.

There is not considered to be any significant credit risk in relation to cash and cash equivalents of £894,446 (2021: £649,354).

The ageing of trade receivables at the reporting date was:

	2022 £	2021 £
Current	528,011	243,285
Up to 30 days	290,749	551,884
30 to 60 days	108,345	235,394
60 to 90 days	91,888	88,240
More than 90 days	352,463	547,361
	<u>1,371,456</u>	<u>1,666,164</u>

20.4 The Group's exposure to Interest rate is not considered material

21. Share based payments

The Company has established a share option plan under which eligible employees may be granted share options at the discretion of the directors. As at 31 December 2022 there were 822,500 (2020: 822,500) share options granted but not yet exercised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

M C Pearman is a shareholder and director of the Company. At the balance sheet date there were share options granted to M C Pearman but not yet exercised of 95,000 A ordinary 1p shares (2021: 95,000 A ordinary 1p shares).

G J Spicer is a shareholder and director of the Company. At the balance sheet date there were share options granted to G J Spicer but not yet exercised of 277,500 A ordinary 1p shares (2021: 277,500 A ordinary 1p shares).

D Rice is a director of the Company. At the balance sheet date there were share options granted to D Rice but not yet exercised of 100,000 A ordinary 1p shares (2021: 100,000 A ordinary 1p shares); D Rice has been granted a put option to sell 100,000 shares to the Company at a price of £0.97 per share.

Little Venice Enterprises Limited is a shareholder of the Company. During 2017 the Company purchased shares in XN Global Systems Holdings Limited from Little Venice Enterprises Limited for a consideration of £2,618,850. Of this amount, £1,641,350 (2021: £1,646,350) is owed to Little Venice Enterprises Limited at the balance sheet date.

23. Controlling party

The directors regard Mark Pearman as the ultimate controlling party of the group.

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