

KIN+CARTE

Annual Report and Accounts 2018

Time for a change...

St Ives has become...

KIN + CARTA

“The digital transformation market is large, growing and we are well positioned to capitalise on this opportunity.”



J Schwan
Chief Executive Officer

Almost a decade ago, St Ives set out to fundamentally shift its market focus, geographical reach and financial performance in response to the emergence of new technologies and extraordinary speed of innovation. Our strategic plan was clear and has not altered: to become a strategic services business, embracing digital opportunity. Today, our goal is to become a market leader in digital transformation services.

With the backdrop of an unprecedented pace of consumer digital engagement, businesses are rethinking their operations and the role of digital methodologies in expediting change. The digital transformation market is huge and growing, and we believe we hold a unique and compelling positioning in this market. We already have exceptional capabilities in the digital transformation space. As we put the building blocks in place, we're prepared for our most significant transition to date.

St Ives has become **Kin + Carta**. We're a 1,500-strong global team with both the size and the reach to support some of the world's largest companies to invent, market and operate profitable new products and services.

We know instinctively that connectedness fuels growth. Our new Connective business model will enable us to deliver the future, for our clients, colleagues, and investors, in a profoundly new way.

OUR JOURNEY

 **St Ives plc**

2010
New strategy

The Group acquires its first strategic marketing business, Occam DM Ltd.

1981
Incorporation

The activities of the Group comprised of printing, book binding and the supply of printing materials to the trade.

KIN + CARTA

2013
Evolved

The Group extends its digital capabilities by acquiring Amaze Ltd.

2018
Re-launch

Following the disposal of the last remaining print business, the Group relaunches as Kin + Carta.

WELCOME TO

KIN + CARTA

Operational Highlights

- J Schwan appointed as CEO
- Strategic review complete and new strategy announced
- Now positioned as a digital transformation business following the disposal of Books and Marketing Activation
- Continuing businesses restructured and aligned to new strategic focus

Financial Highlights

- Revenue growth of 9% from continuing operations (11% at constant currency)
- Adjusted profit before tax up 38%
- Net debt reduced by 50% to £26.0 million, representing a net debt to Adjusted EBITDA ratio of 1.1x (2017 – 1.6x)
- Pension scheme now in small surplus of £1.9 million (2017 – deficit of £16.0 million)

Continuing Operations²

Revenue

£178.4m

2018	£178.4m
2017	£162.9m

Adjusted profit before tax¹

£18.5m

2018	£18.5m
2017	£13.4m

Adjusted basic earnings per share¹

10.10p

2018	10.10p
2017	7.27p

Statutory loss before tax

£(31.2)m

2018	£(31.2)m
2017	£(19.2)m

Statutory basic loss per share

(22.09)p

2018	(22.09)p
2017	(12.59)p

Full year dividend

1.95p

2018	1.95p
2017	1.95p

Net debt

£26.0m

2018	£26.0m
2017	£54.6m

Continuing and Discontinued Operations

Statutory loss after tax

£(29.2)m

2018	£(29.2)m
2017	£(43.4)m

1 Adjusted results exclude Adjusting Items to enhance understanding of the ongoing financial performance of the Group. Adjusting Items comprise of redundancies, restructuring costs; gain or loss on disposal of properties; impairment or amortisation charges related to goodwill, tangible and intangible assets; contingent consideration required to be treated as remuneration; movements in deferred consideration and costs related to the St Ives Defined Benefits Pension Scheme (note 7).

2 Continuing operations excludes the results of the Books and Marketing Activation segments disposed during the year (note 8).

OUR CONNECTED TRIBES

KIN + CARTA
solstice

KIN + CARTA
TAB

KIN + CARTA
Edit

KIN + CARTA
Hive

KIN + CARTA
BENCH

KIN + CARTA
Relish

KIN + CARTA
incite

KIN + CARTA
PRAGMA

KIN + CARTA
amaze^{re}ause

Read more about our strategy on page 9 and our business model on pages 10 to 11.

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KIN + CARTA

Strategic Report

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CHAIRMAN'S STATEMENT

A YEAR OF TRANSITION

Completing the transition to a digital transformation business is a change of significant magnitude which places people and technology at the heart of our strategy.

It has been a momentous year.

We have completed the transition to a non-print business, a strategy that spanned almost a decade. We've unveiled a new name, Kin + Carta, befitting of a new people-driven business, and opportunities for clients and employees created by expanding operations in multiple markets. A new CEO has also taken the reins.

Just over eight years ago, the Group was 100% print. Today, that figure has been reduced to zero. It's a change of significant magnitude that puts us on the launchpad for a very different strategy; one with a powerful combination of people and technology at its heart.

It would be remiss of me not to mention the divestment of the print and books businesses without highlighting the commitment of all the people who worked at them. Transitioning between owners is not easy and we would like to thank all those involved for their ongoing commitment in the transition process.

Our change in leadership, with J Schwan replacing Matt Armitage as CEO, is a natural progression. J, founder and former CEO of Solstice, previously spent time as the Group's Chief Digital Officer and has vast experience of digitally-led business transformation. Matt oversaw a period of intense change with distinction and integrity, and we owe him our gratitude for his hard work.

Despite creating a group that is smaller by workforce and turnover, profit margins have already increased. This is driven by a collection of digital and consulting businesses that have a proven track record of success.

As part of the long-term strategy, we have focused on widening relationships with our existing customer base. Many clients initially came to us for print but asked us to deliver other leading-edge services too, such as digital and consultancy.

It's important to note we have spread risk across our client base. We are now far less reliant on a handful of major customers than in recent years, putting us on a firmer footing. There is also huge opportunity to connect clients with different partners throughout the Group, which is a major part of our strategy.

We have continued to build for growth, merging Amaze and Realise to form one larger agency, and aligning the data businesses under the Edit banner. In Pragma, Incite and Hive we have a strong consulting division.

We encourage entrepreneurship within the Group, which has led to the creation of several new ventures during the past few years. Moreover, we are building a culture that allows resource to be shared, and knowledge built, across businesses. This will strengthen our offering while giving employees new career opportunities.

Governance

There are additional changes to the Board. We bade farewell to non-executive director Ben Gordon with thanks for his important contribution during the past four years. We also welcomed David Bell as non-executive director. David was the former CEO of Interpublic Group ('IPG'), one of the largest media services groups in the world. He has been instrumental in building digital-first organisations in the US, and is an adviser to companies including Google and AOL. His arrival signals our intent for the next phase of growth at our digital businesses.

During this period of change we have strengthened the balance sheet by significantly reducing borrowing. We continue to consider areas for growth, including acquisition and international expansion, and will update on these opportunities when appropriate.

The Board takes its role in corporate governance very seriously, implementing rigorous and robust systems to meet the high standards demanded by our investors and the regulators. We are working to ensure our compliance measures are up to date in advance of changes to the Corporate Governance Code, made by the Financial Reporting Council, that will come into force on 1 January 2019. These include the annual election of directors – which we have held for several years – and a requirement for employees to have a voice in the boardroom, a policy we are currently reviewing.

Health and Safety

As ever, the Board takes health and safety very seriously. While we may no longer be a business operating heavy machinery and fleet vehicles we remain committed to our employees' wellbeing.



RICHARD STILLWELL
CHAIRMAN

We are vigilant about physical and mental health issues, and constantly review our systems to make the Group a secure and fulfilling workplace for every employee.

Outlook

The Board has maintained constancy of purpose throughout the ups and downs of the Group's transition. There were undeniably difficult periods but we always tried to steer a steady course through the changes.

We thank our investors, clients and employees for their patience and support. We can now look forward together with optimism to a new era with the potential for high growth and opportunities for all stakeholders.

Richard Stillwell
Chairman
8 October 2018

CHIEF EXECUTIVE'S PERFORMANCE REVIEW

NEW FOCUS

The launch of Kin + Carta sets the seal on the old St Ives. We are now a digital transformation business with a growing number of the world's leading companies as clients.

Primary Drivers for Focus on Digital

\$44bn

Global market for digital transformation services

18%*

CAGR of market

1,500

Kin + Carta specialists across the globe

Introduction

This has been a transformational year for our business. During the period, we successfully completed the disposals of both our Marketing Activation and Books segments, achieving our long-term ambition of moving away from our print legacy to focus solely on digital transformation.

Our digital transformation businesses now make up the entirety of the Group, which relaunched to the market as Kin + Carta on 2 October 2018. Kin + Carta applies creativity, data and technology to help the world's largest companies invent, operate and market profitable new products and services.

Our digital transformation businesses continued to deliver significant growth, with revenue up 9% and a 38% increase in Adjusted profit before tax over the period.

Performance Highlights

The Group's revenue from continuing operations was £178.4 million (2017 – £162.9 million) which delivered growth of 11% at a constant currency.

The statutory loss before tax from continuing operations was £31.2 million (2017 – £19.2 million), which includes Adjusting Items of £49.6 million (2017 – £32.6 million) of which £47.8 million relates to amortisation of acquired intangibles, impairment of goodwill and intangibles related to Hive and contingent consideration required to be treated as remuneration (from previous acquisitions).

The Group's Adjusted profit before tax from continuing operations was £18.5 million (2017 – £13.4 million), up 38%.

I am encouraged by our growth in the past year, as well as the strengthening of our balance sheet. In addition to the disposals, we've also made several strategic moves to prepare us for the opportunity ahead.

We've merged Occam, Response One, Amaze One and Branded3 into a new communications proposition, Edit. This move has allowed us to diversify away from GDPR impacted service offerings. I'm happy to say the new proposition is resonating in the market with some recent large global customer wins.

We've also merged our two digital design and build agencies, Amaze and Realise into one firm, AmazeRealise, now the largest agency of its kind in the UK. This move has allowed us to more easily position AmazeRealise for international expansion.

We've also merged our retail property consultancy FSP into strategy firm Pragma, bringing a more comprehensive strategic proposition to our retail client base.

Though our healthcare communications firm, Hive, has struggled this year, we are realigning its strategic positioning with our new digital focus. Although this represents a significant shift from its current proposition, we are optimistic that this will allow our healthcare experts to focus on larger, more strategic initiatives for Hive's blue chip client base.

Overall these moves required a lot of hard work by our teams and I'd like to congratulate and thank them all. With the majority of these costs being incurred in the 2018 financial year, we can now focus on the market opportunities we see ahead of us.

* <https://www.consultancy.uk/news/17223/digital-transformation-consulting-market-accelerates-to-44-billion>

Our New Strategic Focus

In January 2018, we began a strategic review of the Group's businesses, redefining our path forward. As a result, we have defined a new set of core values, a new strategy, a new organisational model and a new brand.

The Group, now known as Kin + Carta, is focused on becoming a global leader in digital transformation services. Digital transformation is increasingly vital for businesses, who, in today's increasingly digital world, require a reset of their company's market strategy, offerings, and ways of working, to ensure they are grounded in new technologies.

There are four primary drivers for our strategic focus on digital transformation:

1. The digital transformation services market is large and growing quickly. The global market is already \$44 billion in size and growing at a CAGR of 18%.*
2. Over 80% of Kin + Carta's FY18 revenue from continuing operations was being driven from digital transformation services (strategy, innovation and communication): we have the critical mass and the reach to succeed in this market.
3. Our competitors, which include big consultancies and large agency groups, are finding it challenging to adapt to the right operating model to succeed in this space, leaving room for new entrants.
4. By combining our 1,500 specialists across the globe into a joined up proposition, we are competing successfully in this rapidly growing market.

New Connective Operating Model

Over the past few months, we have reorganised ourselves to integrate our services into a single, well-rounded operating model to match the evolving needs of our clients and the ambitions of our employees. We call this "The Connective".

The Connective is grouped into four key service pillars:

- **Strategy (where to play)** – Our strategists help our clients better understand the shifts in their market and the potential digital brings.
- **Innovation (what to build)** – We utilise emerging technologies to create new products and services for our clients to bring to market.



J SCHWAN
CHIEF EXECUTIVE OFFICER

- **Communication (who to tell)** – We help our clients find new audiences online and convert those audiences into customers.
- **Transformation (how to work)** – We integrate next-generation software and teach our clients agile ways of working to adapt to a rapidly changing world.

Although there is still much work to do, we are encouraged by the collaboration of the nearly 200 employees across the businesses who were involved in creating The Connective operating model. In our early market tests, The Connective is being positively received with both new Connective customer wins and the expansion of some existing client relationships. New global clients such as Rockwell Automation, Kwik Fit and Gallagher are already leveraging multiple Connective services.

Our new Brand, Kin + Carta

We felt it was important to create a new identity for our new business. Although St Ives will forever be a proud part of our history, our new strategic focus was a prime opportunity to pick a name reflecting our position in an increasingly digital world. The name Kin + Carta embodies what The Connective stands for: connection, collaboration and courage.

Growth Catalysts

There is a significant growth opportunity in front of us for which we have identified five key areas of focus for our management team:

Scaling our Sales Functions –

The Connective proposition will significantly aid the cross-selling of our services. We will be adding central sales capabilities to support larger Connective business opportunities. We will also draw on the best practices of our fastest growing businesses and ensure each business' sales function is set up to adopt what's best in class.

Deepen Sector Focus – Instead of trying to be everything to everybody, we will use the sector strengths of our strategic consultancies to focus on the sectors where our businesses possess differentiating experience. These include Financial Services, Transportation, Retail and Distribution, Healthcare, Industrials and Agriculture.

Geographic Expansion – We will bring the Communication portion of The Connective proposition to the Americas, leveraging our already strong presence in Chicago, New York, San Francisco and Buenos Aires.

CHIEF EXECUTIVE'S PERFORMANCE REVIEW continued

New Capabilities and Ventures – We will continue to invest in new capabilities, for example, expanding our new and fast-growing Artificial Intelligence ('AI') practice.

We have also created a new venture model to encourage The Connective's 'intrapreneurs' to develop new business ideas that strengthen The Connective proposition.

Financial Targets

To accelerate our organic growth rate, over the new financial year we intend to make an investment of £2.0 million in our central marketing and sales capability. Although this investment could be rolled out gradually over the next few years, we've made the decision to fast track this initiative to take advantage of the market opportunity in front of us. This is a real cost to the business that may impair our earnings for the 2019 financial year, but we believe the payback thereafter will outstrip the short-term drag on profitability.

The regrouping of the business into The Connective also affords us opportunities to create synergies and cost savings to further boost our organic growth.

As a result we expect, for the 2019 financial year, to see mid-single digit revenue growth at constant currency and Adjusted operating margin of greater than 10% as we make the investment for future growth. In the 2020 financial year and beyond, we expect double digit revenue CAGR and a minimum 12% margin.

We also expect to manage net debt to EBITDA down to below one times by the end of the 2020 financial year.

Acquisitions

Acquisitions will be an important component of our growth strategy in the medium term. We will focus on acquiring digital capabilities with significant scale that can be fully integrated into our existing Connective proposition. Our strategy will be driven by acquiring complementary skill sets and/or geographic reach: growing our existing business in the US is an example of this.

We do not delude ourselves: we will be competing for these businesses or teams with the very best companies in the world. However, we believe that as a nimble and young Group, driven by the entrepreneurial culture embedded in the non-hierarchical Connective structure that we can offer something different and appealing to the opportunities we identify. We have already started the process.

Outlook

Trading at the start of the new financial year has been in line with expectations, with a strong pipeline and a number of exciting project wins from existing and new clients. With our recently strengthened balance sheet, clarity on our priorities and the people and structure in place, I believe the future for Kin + Carta is very bright indeed.




J Schwan

Chief Executive Officer
8 October 2018



OUR STRATEGY

POISED TO BE A MARKET LEADER IN DIGITAL TRANSFORMATION SERVICES



There is a space for a new proposition that combines the wants of top talent and the needs of enterprise clients anxious to transform in an increasingly digital world.

Kin + Carta is perfectly positioned to capitalise. Our global workforce is 1,500 strong, and our employees' digital capabilities have been built from the ground up to address today's challenges. We are big enough to matter but small enough to remain agile to the changing market forces.

Kin + Carta is strategically focused on becoming a market leader in digital business transformation services, which is the restructuring of businesses and their organisational models to leverage the opportunities that new digital technologies are providing.

With a fresh new focus on the power of Connected Customer Experiences, we've questioned the strengths and weaknesses of today's digital servicing models and created a new organisational structure to deliver the future. The result is our transformation from a group to a Connective.

The Connective, our new organisational model, was created to integrate Kin + Carta's services into a digital transformation proposition and to respond to the career aspirations of our people.

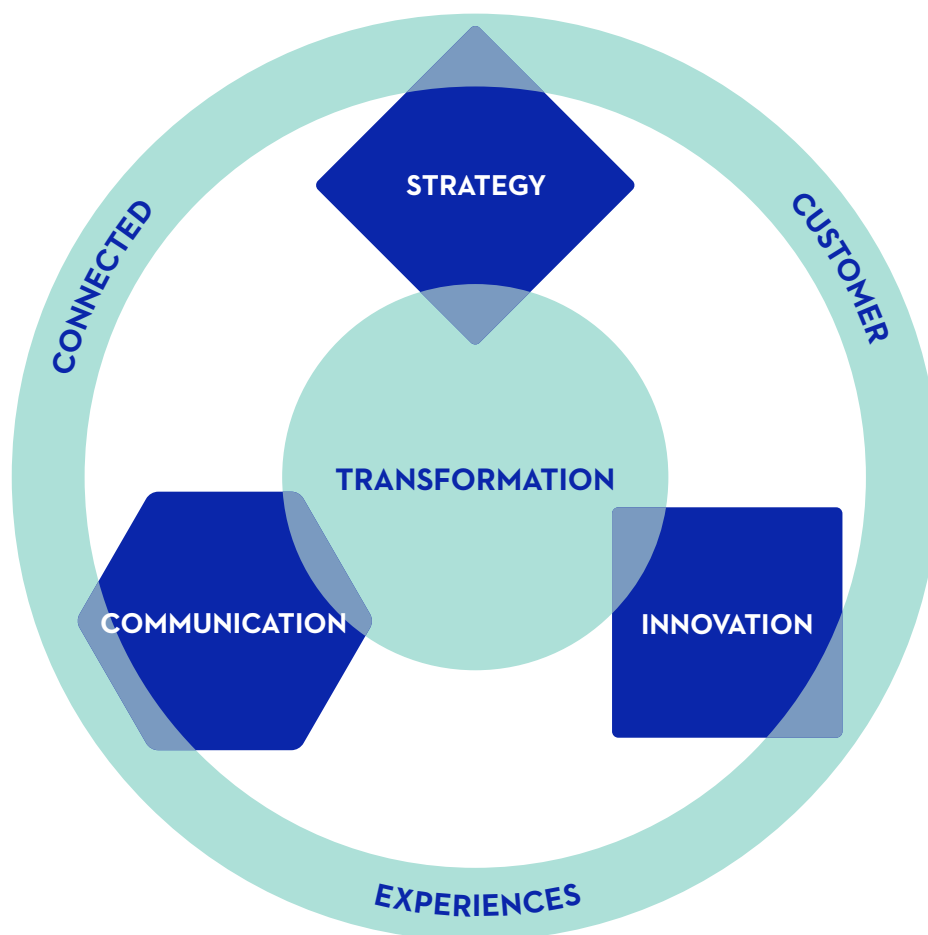
Read more about our Connective proposition in our Business Model on page 10.

OUR BUSINESS MODEL

A UNIQUE PROPOSITION

We deliver transformative growth for the world's leading organisations. Combining strategy, innovation and communication, we help our clients invent, operate and market new digital products and services.

The Connective



The Connective proposition is a set of integrated next generation technology, marketing and consulting capabilities to help transform our clients for the digital age. The proposition is grouped into four key service pillars:

Strategy

Our strategists help our clients better understand the shifts in their market and the potential digital brings.

Communication

We help our clients find new audiences online and convert those audiences into customers.

Innovation

We utilise emerging technologies to create new products and services for our clients to bring to market.

Transformation

We integrate next-generation software and teach our clients agile ways of working to adapt to a rapidly changing world.

A winning team

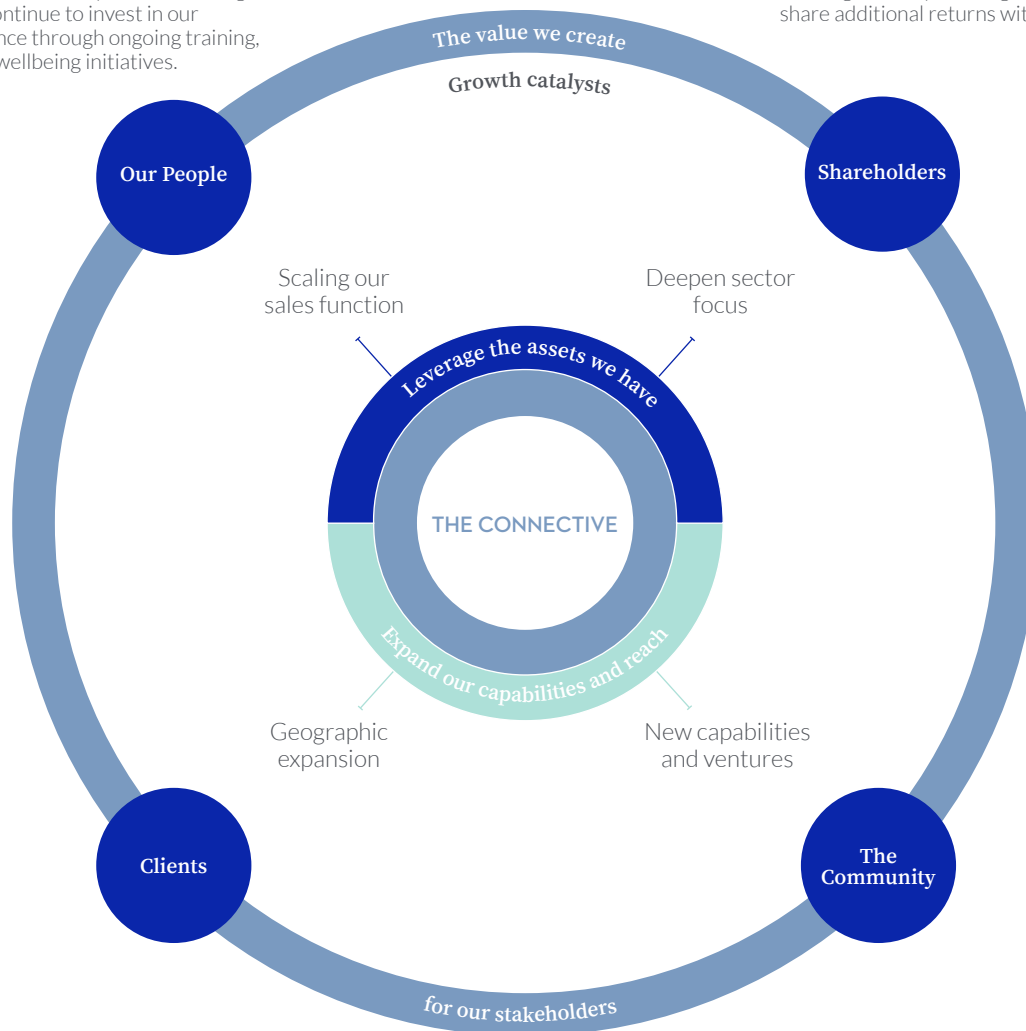
The Connective’s unique organisational structure attracts the best talent. Empowered by a belief in networks over hierarchies, our experts are able to thrive in their own “tribes” while connected to other specialists through a red thread of culture, values and ways of working.

As a people business, creating an award-winning employee experience is key to the continued growth and success of Kin + Carta. We believe happy employees want to be part of a winning team, so we will continue to invest in our employee experience through ongoing training, social, health and wellbeing initiatives.

An engine for growth

The Connective is an engine for growth in a large and fast growing market. Its joined-up proposition provides a platform for expanding into new regions, integrating new acquisitions quickly and providing an incubation bed for new ventures.

The Connective model allows us to grow cash flows for accelerated investment and balance sheet strengthening in the near term, while in the longer term providing us with the ability to share additional returns with our shareholders.



Transforming businesses

By combining strategic consulting, next-generation product development and digital communications, we help legacy enterprises transform into high growth digital businesses. Our Connective structure allows us to attract the best talent into our specialisms while offering a holistic transformation proposition to our clients.

Making a difference

We aim to leverage our unique capabilities to make a difference in the societies in which we operate. You can read more about our social responsibility activities in the Corporate Social Responsibility Report on pages 42 to 47.

STRATEGY IN ACTION

UNITE+DISRUPT

ROCKWELL

One of Rockwell Automation's top priorities is to simplify its customers' experience. Its Digital Business Transformation Unit ('DBx') is tasked with achieving that goal, and Solstice is a key digital innovation partner.

After mapping out customer journeys for Rockwell's key customer segments, Solstice and the DBx team realised that "random acts of digital" cost customers three million man hours every year.

Following hard on the heels of re-evaluating Rockwell's "browse-to-order" customer experience in 2016, Solstice and AmazeRealise helped the company design, build, and launch myRockwellAutomation from late 2017.

myRockwellAutomation is a personalised environment for Rockwell Automation customers that aggregates digital activities to ensure a connected, streamlined experience across critical touchpoints and applications.

Search strategy was tackled first. The team conducted a technology selection process, installed and configured a new search platform, and created a pilot experience to test it.

As a result, Rockwell Automation was able to release an entirely new search experience to customers in less than nine months. Solstice and AmazeRealise are currently replacing Google Search across the organisation. Future builds will use the platform as a foundation, and will be powered by machine learning, making searches personalised and conversational in nature.

The Kin + Carta businesses also joined forces with Rockwell Automation's IT security team to deliver a new log-in and registration system, retiring three legacy applications. The updated system brought more than 400,000 existing users under a new access management solution.

myRockwellAutomation is at the heart of the solution enabling Rockwell Automation to deliver a more simplified, differentiated digital experience for customers. Solstice is proudly helping to drive the strategy and implementation of their vision. The search-forward platform brings together information from every corner of the business, features single sign-on capabilities and visualises smart plant equipment. Early conversational UX prototypes are also delivering information via chat functions to people on Rockwell Automation's plant floor.

amaze^{realise}

solstice

myRockwellAutomation is at the heart of the solution enabling Rockwell Automation to deliver a more simplified, differentiated digital experience for customers.



STRATEGY IN ACTION continued

EVOLVE+ TRANSFORM

GORDON FOOD SERVICE

Modernisation was the key to future success for Gordon Food Service. North America's largest privately held foodservice distributor was seeking to differentiate its brand against existing competitors and new entrants.

Additionally, Gordon Food Service maintained separate ordering systems for Canada and the United States and averaged a 10-week cycle to release for new system enhancements. The company seized the opportunity to deliver a single platform across North America that felt like more of a business to customer ('B2C') experience, providing customer value in new ways.

Gordon Food Service required a partner that could accelerate product development under a blended team approach to upskill its own employees for the long term. It brought in Solstice's Customer Experience Driven Development ('CXDD™').

From a CX perspective, Gordon Food Service and Solstice established ongoing, iterative feedback loops with customers as the new normal. Allowing them to gain increased confidence in features before they were developed, while at the same time, responding to feedback once live in production. As a result, they dramatically simplified the ordering experience in a clean, intuitive design anchored on a first-class search experience.

The company also needed to strike a balance between new-found speed to market and complex legacy systems. A disciplined focus on product management and the creation of a Minimum Viable Experience for premium customers was the answer. The team delivered a new ordering experience, piloted among Canadian customers, in just over 200 days.

A modern software engineering approach was employed to enhance digital product development. It has successfully removed obstacles that previously impeded innovation, and their in-house technical teams have been transformed into cloud-based Continuous Integration and Delivery operations. Customers benefit hugely, with CX improvements delivered in real time. Previously, they would have taken months to implement.

Solstice's partnership with Gordon Food Service has created a next-generation ordering platform that is exceeding customer expectations and allowing the business to differentiate. The team continues driving innovation on the platform, using a scaled agile framework model that enables around 80 programme team members to stay involved in delivery and development with confidence. Gordon Ordering was piloted in summer of 2018 and is rolling out to its Canadian customers in the fall of 2018.

solstice





RAILWAY DELIVERY GROUP

Thanks to products like Apple Wallet, customers increasingly access cards and tickets via mobile devices – whether paying for a coffee or checking in for a flight. It’s often surprising, therefore, to find that many services still rely on physical tickets.

National Railcards save train passengers across the UK up to a third on their fare but the paper and plastic ticketing system was in need of transformation. The Rail Delivery Group (‘RDG’), which represents the UK’s leading train operators, recognised the risk of fraud and inefficient processing. A delay of up to five working days between applying for and receiving a Railcard was responsible for a loss of almost 7% of potential customers.

RDG wanted a smarter, more efficient solution. It turned to TAB for its extensive transport sector and mobile-specific expertise. TAB led an intensive, two-week Discovery phase to clarify the product vision, and user and business outcomes. The decision was made to transform Railcards from physical to digital.

Three clear customer outcomes emerged. TAB conducted extensive user research at London train stations, testing prototype solutions directly with passengers. The team uncovered experiences and pain points of Railcard users - from students to the elderly. Wireframes and prototype designs went through rapid iteration, informed by fast, direct feedback loops.

TAB and RDG team members also boarded trains to test solutions with a second key user group: revenue protection inspectors. Sessions across train operating companies ensured

multiple digital Railcards could be checked on mobile devices in the short ticket inspection timeframe. Usability issues were identified and addressed early.

The Railcard app has built-in security features to reduce fraud, including an innovative digital hologram. It is fully coded, using a mobile phone’s existing sensors to generate non-linear movement visible as the hologram’s “sheen”. This makes it difficult to predict and replicate.

The app’s use of background updates is another key feature. It’s a straightforward way to check any Railcard is valid. Cards that aren’t valid become locked when opened. Background updates also allow customers to avoid an anxious wait for the Railcard to load during a ticket inspection.

Because even low-level updates impact battery life and data use, TAB’s engineers harnessed native aspects of iOS and Android technology to implement two types: friendly and mandatory. There’s less impact on battery life and data, while Railcard security is robustly assured. Result: improved user experience.

In just over three months, TAB and RDG successfully transitioned National Railcards to a digital format. Customer response has been remarkable: the Railcard app now boasts more than 300,000 monthly active users, and fraudulent cards have been reduced to zero.

Down the line, the app will provide a highly flexible foundation for RDG to rapidly test and release new Railcards – such as the proposed new ‘Millennial’ 26-30 Railcard.



STRATEGY IN ACTION continued

CREATIVITY + CRAFT

LEXUS

Lexus challenged AmazeRealise to change perceptions of the company by creating a digital presence that would help the marque stand out and signal its transition to a global luxury brand.

Takumi Cats was one component devised to help Lexus achieve its objective of helping customers "Experience Amazing".

AmazeRealise developed the campaign to support Craftmanship, one of four key Lexus pillars. Takumi Masters can fold paper into an origami cat in less than 90 seconds with their non-dominant hand.

Lexus Takumi masters are trained for 25 years to master all their skills, and exemplify every aspect of craft and quality that Lexus stands for. The agency aimed to capture this by allowing users to experience being a Takumi Master.

AmazeRealise created an interactive story on the Lexus website that was in keeping with the brand. The goal was to encourage repeat visits and sharing on social media.

The challenge was based on Lexus' expertise in developing and using cutting-edge technologies. However, many of the manufacturer's most renowned skills vastly predate the digital age. The origami challenge beautifully illustrated this notion.

Users could experience a game simulating the origami task through a new, unique experience. They were asked to perform a series of on-screen drawings that followed the exact steps of folding an origami cat, using their non-dominant hand just like the Takumi.

The elegant experience was translated into 18 languages and rolled out to 39 pan-European markets, winning a Favourite Website Award. It created a strong connection with Lexus website visitors, garnering the following results:

- Completion rates of up to 55% – which was very strong for a 10-step experience.
- 7% of users who saw Takumi Cat content tried the Lexus car configurator and 0.6% accessed the test-drive form.
- In the UK, Origami Cats users shared their experience on social media, advocating both the game and Lexus.

Christophe Meulemans, Communications Manager, Lexus Europe, said: "Takumi Craftmanship is key for Lexus. Lexus Takumi masters are trained for 25 years to master all their skills. We used imaginative technology to create an interactive test of speed and dexterity that centres on the Japanese art of paper folding. We're delighted with the results our long-term partner AmazeRealise has delivered, providing a more-than-solid foundation for ongoing digital transformation of our business, while supporting us as we establish Lexus as a global luxury lifestyle brand."

amazerealise

"We're delighted with the results our long-term partner AmazeRealise has delivered, providing a more-than-solid foundation for ongoing digital transformation of our business."





STRATEGY IN ACTION continued

ADVISE+EMPOWER

BENCH

Bench is a successful Kin + Carta venture that was developed in response to our team identifying a gap in the market for both trusted and highly skilled experts that are equipped to support all aspects of a client's business transformation.

Dan Telling, Bench's Managing Director, spotted how big technology, consulting and resourcing businesses were all failing to provide clients with what they really need: the ability to access experts in both vertical consultancy and specialist technology.

In order to address this need, Bench was built to put the emphasis on knowledge transfer and empowering clients to "do it for themselves." Bench's vastly experienced team of connected specialists provide unmatched skill around the implementation of marketing and information management technology, including Adobe, IBM, SAS, and Pitney Bowes, as well as business and strategic consulting that rivals the traditional systems integrator model.

This unique and flexible associate model gives clients access to best-in-class technology and consulting expertise from more than 600 specialists in the UK alone.

Bench has enjoyed spectacular 83% year-on-year revenue growth and has increased its client base to over 50 clients that leverage the organisation's end to end services across three distinct areas:

- 1) **Bench Consulting** – providing strategy, integration/implementation and application services that rival the traditional systems integrator model to clients such as Kwik Fit, Ryanair, Southern Co-operative, Investec and the Royal National Lifeboat Institute.
- 2) **Bench Software** – offering advice and service around the purchase of technology and software to clients such as Sainsbury's, Interflora and sofa.com.
- 3) **Bench Talent** – tapping into the deep expertise, insights, market trends and challenges informed by the consulting and software areas. This stream delivers high-quality options to clients in relation to permanent, contract, retained services, headhunting, search and selection, as well as staff augmentation. It supports clients such as Ernst & Young, Reach plc and Fly Victor.

Bench also provides services to Kin + Carta's digital transformation businesses to support resourcing and software requirements. This service has become a crucial part of The Connective client delivery team leading to significant savings and multiple new opportunities for the businesses.

Andy Lane, Marketing Director of Kwik Fit, said: "Bench immediately understood what we were trying to achieve. We especially liked the fact that the senior experts were so involved in the project. The depth of the expertise they demonstrated from the start made us feel in incredibly safe hands."

BENCH

"Bench immediately understood what we were trying to achieve. We especially liked the fact that the senior experts were so involved in the project."





STRATEGY IN ACTION continued

GOALS + TARGETS

RAC

Fleet management is a key part of RAC's business. A major customer was having an issue with one of its van models. The automotive services company was aware of the issue, but predicting individual vehicles breaking down and fixing them before it happened was proving tricky.

RAC believed its connected vehicle technology could offer a potential solution. It asked Edit to develop a system that would capture live vehicle data and apply RAC predictive breakdown algorithms in real time.

Edit created a real-time cloud-based process to monitor, evaluate, decide and execute algorithms and one or more actions based on every single telematics message issued.

The system is capable of processing more than five million messages per day, involving almost 40 database calls, more than 10 web service calls, five communication channels and 60-plus logic points.

Edit's system processes messages from thousands of vehicles, resulting in more than 50,000 vehicle faults proactively notifying customers of issues before they result in breakdowns.

One of RAC's customers is saving an estimated total of 7,000 days of vehicle downtime per year. The proactive notification of faults allows engineers to plan roadside repairs. This prevented them from breaking down and requiring attention from a dealer, which can result in a vehicle being off the road for several days.

The solution's reach has been extended, with captured data now used to send each driver a Fitbit-style engagement email that offers information on: vehicle health; safety and efficiency driving scores; fault warnings; distance and journey data; and driver scoring comparisons.

Edit.





AUTO TRADER

Disrupting the World Cup by winning the hearts and minds of the nation with #AutoTraderGoals.

The World Cup 2018 was a success for England and Auto Trader wanted to play its part. The brand turned to AmazeRealise to help it disrupt the tournament with the aim of trending during England matches.

The premise for #AutoTraderGoals was simple: every time England scored, Auto Trader would give away a new car. Entrants were only required to post #AutoTraderGoals for a chance of winning.

The strategy employed a “tease, fanfare, sustain” model to optimise budget spend and brand amplification during the campaign period. More than 90 assets were created to build and maintain momentum; from a launch video featuring the cars being driven around a football pitch, to a spoof film starring Auto Trader’s miserable “finance director”.

The playful content and tone of voice captured the mood of the nation as everyone got swept up in England’s surprise success.

An hour before each England match began, Twitter’s “Like to Remind” technology was harnessed to deliver 95,500 notifications to users’ phones. The opt-in rate for this timely reminder was 95%. Alongside this, the intensive “war room” set up on match days ensured Auto Trader could react in real time to what was happening on the pitch. AmazeRealise’s responsive approach helped deliver 160,000 individual engagements during the campaign.

Just as England defied expectations on the pitch, #AutoTraderGoals smashed all targets around competition entries and engagement rates. The brand activation led to the hashtag – used 270,000 times – dominating social media chatter when England played. It trended in the top 10 for the UK on Twitter after every goal, often being the only brand within the top 20. There were more than 100,000 competition entrants, and the campaign boosted the brand’s social following by 7%.

The primary objective for #AutoTraderGoals was to raise awareness of its new car offering. Of the 250,000 visitors to the campaign landing page, 41% stayed onsite, of which 22% went on to search for a new car. The huge public and media interest in the campaign also boosted Auto Trader’s search rankings from 8th to 1st for “new car” keywords. It came top for brand mentions during the tournament, with 21% share of voice compared to Coca-Cola’s 17% and Visa’s 9%.

Lei Sorvisto, Audience and Brand Director, said: “The engagement from brand new audiences was phenomenal, both in terms of its volume and sentiment. The depth of planning and preparation from the team that went into allowing us to behave in that responsive way was a critical success factor.”

amazerealise

STRATEGY IN ACTION continued

INNOVATE + ENABLE

NEW CAPABILITIES

Artificial intelligence ('AI') technology has been around for nearly six decades. Yet recent innovations in machine learning, conversational interfaces and cloud computing make AI a hot prospect in the digital landscape. There is huge room for growth as enterprise clients are only just beginning to experiment with this revolutionary technology.

Kin + Carta businesses Solstice and Edit have both launched formal AI practices this year as we seek to capitalise.

Solstice has delivered over 10 intelligent experiences (chatbots, voicebots and robotics) across various industries such as agriculture, industrial automation, and financial services. Specifically speaking, the Solstice team has created experiences that leverage machine learning for farmer crop yield predictions, enable customers to find products through intelligent search experiences and reduce customer churn through tailored, personal insights for customers.

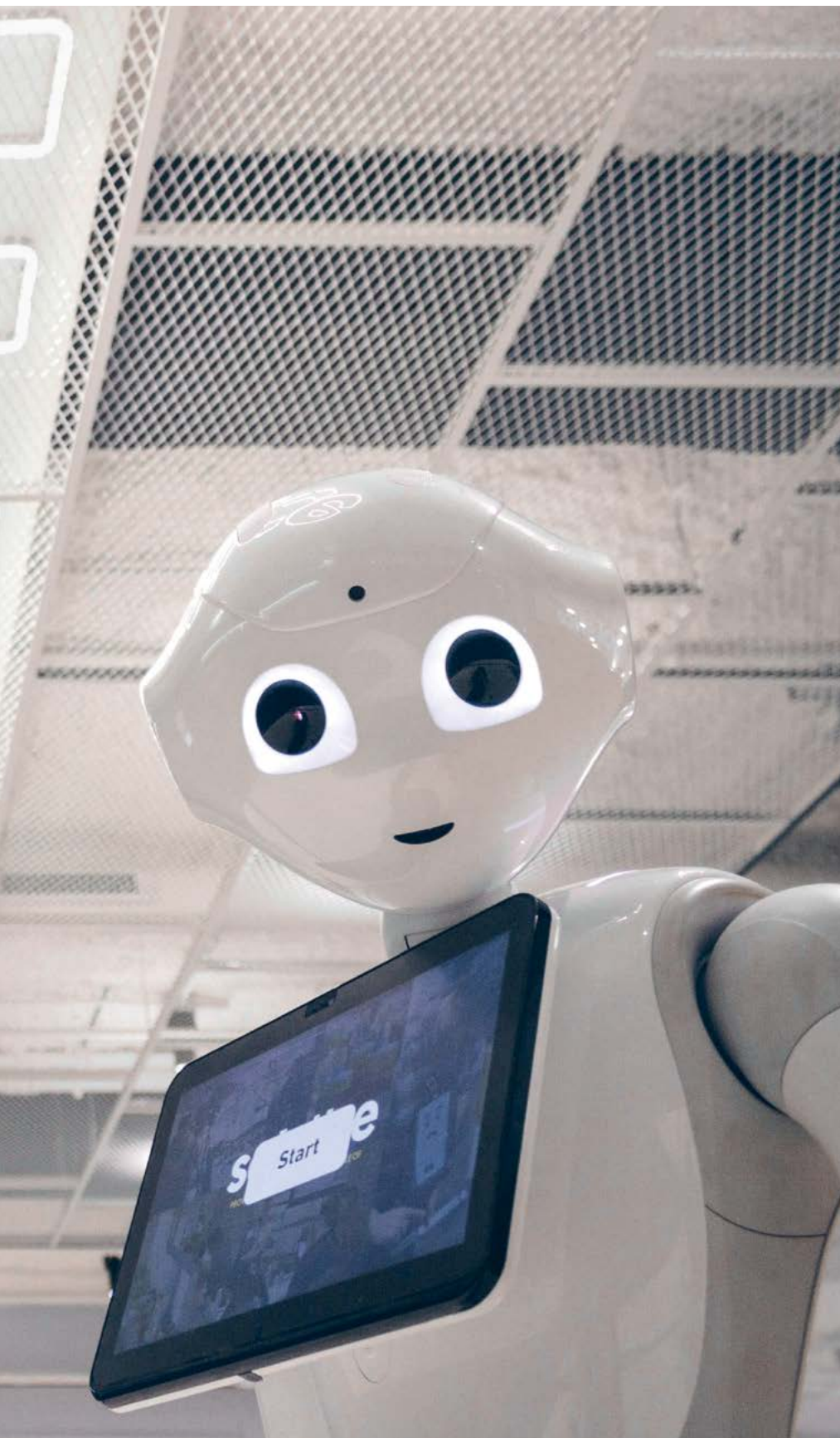
Edit is also developing its machine learning practice with a special focus on personalisation, predictive modelling, text mining, natural language processing and clustering. The business aims to enhance both enterprise understanding and customer experience through the lens of AI.

Beyond client delivery, we have also rolled out a collection of research and development ('R&D') experiences to showcase how AI can transform and enhance our daily lives. Solstice's BrAIwawe, which debuted earlier this year at the firm's annual Solstice FWD digital innovation symposium, combined seven best-in-class AI technologies. These included computer vision and text sentiment analysis to create a networking experience that connected participants on a deeper emotional level. KoKo, another AI-powered Solstice creation unveiled at Google's 2018 National User Conference, leverages image recognition to identify and translate American sign language, so hearing impaired people can more easily communicate.

Solstice and Edit believe AI projects will be a new revenue stream by the end of 2019, with AI as a focal point for most of the businesses' projects within the next two to five years. The remarkable potential of AI technology, coupled with the recent formalisation of AI practices within Kin + Carta, establishes AI-driven innovation as the fuel for the Connective Intelligence.

Edit.
solstice





DEEPEN SECTOR FOCUS

Our deep industry expertise allows us to define our clients' issues and create meaningful change for them. We help set the pace for innovation and market response. Verticalisation enables fine-tuning of product design, targeting of well-defined audiences and establishes clients as the authority in a particular sector.

Kin + Carta possesses businesses with significant vertical strength. These include:

- **Hive** – a leading healthcare strategic consulting and communications business that serves many of the world's leading healthcare companies.
- **Incite** – an award-winning strategic marketing consultancy with offices in Europe, Asia and North America, working with many major consumer brands, such as Heinz, Virgin Trains, McDonald's and Samsung.
- **Pragma** – a leading retail specialist counting industry operators and investors among its clients, such as Pret A Manger, Cath Kidston and Mountain Warehouse.

The Connective is also strong in financial services, transportation, industrials and agriculture.

Using The Connective's global team of teams, our vertical and capability experts work with clients to achieve growth by optimising every customer touchpoint. The data is primed to generate new products, services and customer experiences for our clients.



incite

P P R A G M A

STRATEGY IN ACTION continued

GROW + EXPAND

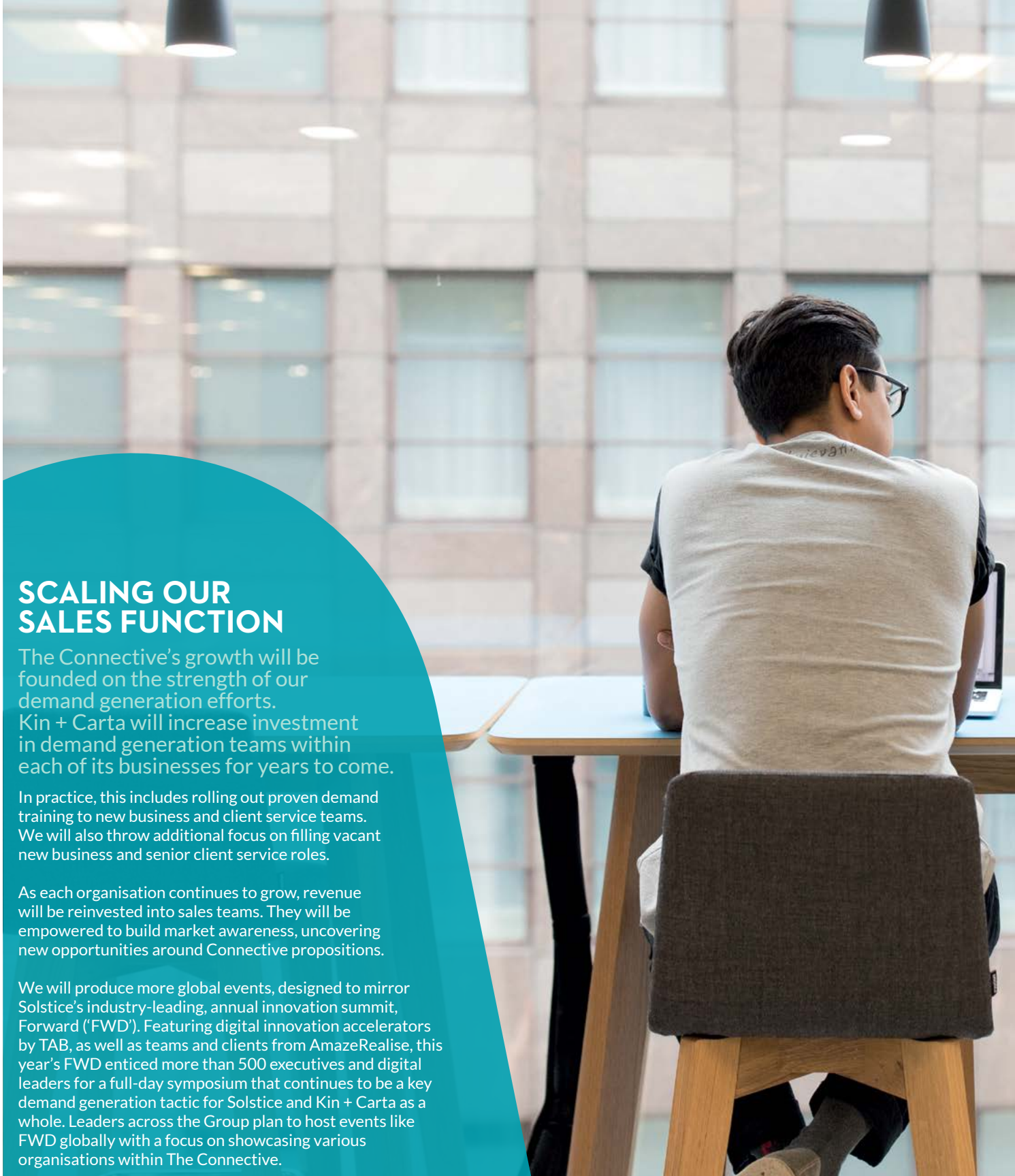
SCALING OUR SALES FUNCTION

The Connective's growth will be founded on the strength of our demand generation efforts. Kin + Carta will increase investment in demand generation teams within each of its businesses for years to come.

In practice, this includes rolling out proven demand training to new business and client service teams. We will also throw additional focus on filling vacant new business and senior client service roles.

As each organisation continues to grow, revenue will be reinvested into sales teams. They will be empowered to build market awareness, uncovering new opportunities around Connective propositions.

We will produce more global events, designed to mirror Solstice's industry-leading, annual innovation summit, Forward ('FWD'). Featuring digital innovation accelerators by TAB, as well as teams and clients from AmazeRealise, this year's FWD enticed more than 500 executives and digital leaders for a full-day symposium that continues to be a key demand generation tactic for Solstice and Kin + Carta as a whole. Leaders across the Group plan to host events like FWD globally with a focus on showcasing various organisations within The Connective.





GEOGRAPHIC EXPANSION

Solstice's Buenos Aires office, which opened in 2014, gives Kin + Carta a strong foothold in South America. The city boasts a strong talent pool proficient in English and a time zone and culture that align with partner offices in the US.

The office in Argentina offers multiple services to clients and has doubled in size rapidly as a result of early strategic success. Leveraging a managed services strategy and a group of skilled production support specialists, including an exceptional in-house employee experience ("EX") team, Solstice delivers client experience that far outweighs expectations.

Blended teams are deployed on projects, allowing greater flexibility, communication and delivery of more holistic client experiences. This approach builds trust and regularly results in repeat client work with leading enterprises such as Rockwell Automation, Bosch and COUNTRY Financial, as well as numerous referrals.

Development, quality assurance, user experience design and product design are all significant areas of focus for the Argentina head quarters. Mirroring growth practices across Solstice, further expansion is also planned in Artificial Intelligence, machine learning, cloud services and other platform-specific capabilities. Meanwhile, internal training and coaching will underpin sustainable growth.

Collaboration, encouraged throughout The Connective, is key for the Buenos Aires team. It engages regularly with sister offices to ensure smooth handovers across specialists based in diverse locations. Meanwhile, the team will work in tandem with other Kin + Carta businesses including Edit, AmazeRealise and Bench to strengthen the partnership culture.

With a strongly proactive strategy for future growth, Buenos Aires is poised to become an integral part of Kin + Carta's future success.

FINANCIAL REVIEW

POISED FOR FURTHER GROWTH

The year saw revenue grow by 9% and Adjusted Operating Profit* by 29%.

Financial Highlights

+11%

Growth revenue at constant currency

+38%

Adjusted profit before tax*

A. Statutory results

	53 weeks to 3 August 2018	52 weeks to 29 July 2017
Revenue	£178.4m	£162.9m
Statutory loss before interest and tax	£(28.2)m	£(15.5)m
Statutory loss before tax	£(31.2)m	£(19.2)m
Basic loss per share	(22.09)p	(12.59)p

Overview

After a transformational year, the Group which is now entirely focused on higher growth, higher margin digital transformation businesses (previously referred to as Strategic Marketing). The disposals of our legacy Marketing Activation and Books segments have been treated as discontinued operations for both the current and comparative periods within the Consolidated Income Statement. The results that follow are discussed in terms of continuing operations. The results are for a 53 week period compared to the prior period of 52 weeks.

The Group's statutory results are set out in the table A.

The Group's statutory loss before tax of £31.2 million (2017 – £19.2 million) includes Adjusting Items of £49.6 million (2017 – £32.6 million), of which £47.9 million relates to non-cash items in the current period. Adjusting non-cash items include contingent consideration treated as remuneration of £24.0 million, an increase of deferred consideration of £3.1 million, the impairment of goodwill and acquired intangibles of £12.1 million and the amortisation of intangibles of £8.7 million.

The Group prepares Adjusted results, which, in management's view reflect how the business is managed and show the performance in a manner consistent with the previous year. Adjusted results exclude items such as costs related to restructuring activities, acquisitions made in current and prior periods, disposal of sites, impairment charges and St Ives Defined Benefits Pension Scheme charges. Further details are provided in the Alternative Performance Measures section on pages 29 to 32.

The Group delivered revenue growth of 9% and a 29% increase in Adjusted operating profit from £16.4 million to £21.2 million.

Revenue and Adjusted Operating Profit

Revenue growth at constant currency was 11% (£18.7 million) offset by a 2% adverse currency impact. Revenue at constant currency grew by 23% in the first half and 1% in the second half reflecting a softer comparative in the first half of the prior year. There was a 2% negative contribution from currency translation in each half.

Revenue generated from clients located outside of the UK increased from £63.6 million to £79.6 million over the financial year, and now represent 45% of Group revenue (2017 – 37%).

The Adjusted operating profit increased from £16.4 million (Adjusted operating profit margin of 10.1%) to £21.2 million (Adjusted operating profit margin of 11.8%).

A significant amount of restructuring has taken place during the year to improve the offering to clients and also operational efficiencies within the business units. This has reduced the cost base and improved the Adjusted operating margin from 10% to 12%.

The General Data Protection Regulations ('GDPR') that came into force in May 2018 affected our data brands. Clients have withdrawn from certain marketing activity and our data brands have repositioned their market offering to accommodate the new regulations. During the current period, we have focused on ensuring that our brands meet the requirements of GDPR. Our new proposition is finding resonance with clients as they redirect marketing spend into new areas.

* Further details are provided in the Alternative Performance Measurements section on pages 29 to 32.

Our healthcare brand has seen some weakness in revenue primarily due to a number of clients seeking a network solution to their communication strategy. As a result an impairment charge of £11.8 million was recorded as an Adjusting Item relating to Hive's goodwill and intangibles. Recent new client projects have improved revenue visibility in this sector.

Central costs were £5.3 million (2017 – £4.4 million). The Group has separately identified these central costs that cannot be directly attributed to the individual trading entities of the Group. Central administration costs represent 3% of Group revenue.

Central costs comprise the costs of running the executive office, which includes the Board, a central finance team, the company secretarial function, a legal department, a central IT team, the rental and associated costs of the Group's head office. The Group's head office is also shared with the AmazeRealise London team. We do not believe that additional value or understanding of the results is created by charging these costs to individual brands.

Acquisitions

No acquisitions were made in the current period. However, the total cash outflow for businesses acquired in prior periods was £16.5 million and 10.6 million shares were also issued.

Solstice – during the year 4.9 million shares were issued and a payment of £12.4 million in cash was made to the previous owners of Solstice. Subsequent to the year end a final payment of £3.1 million was made in August. There are no further payments to be made in relation to the Solstice acquisition.

TAB – TAB's third deferred consideration for the year ended 30 April 2018 has been agreed. This was based on incremental EBITDA. The Group has issued 5.7 million shares during the current year and, subsequent to the year end, also made a cash payment of £9.7 million and issued a loan note of £6.8 million to settle the deferred consideration. The loan note is exercisable six months after issue. There remains a liability of £2.0 million that the Group expects to settle in the financial year 2020. This item is treated as an Adjusting Item and is recorded as contingent consideration required to be treated as remuneration.

Balance Sheet

The net assets of the Group have reduced from £97.2 million to £81.4 million primarily due to the statutory loss incurred of £29.2 million offset by a net actuarial gain of £9.2 million. As a result of the disposals of



BRAD GRAY
CHIEF FINANCIAL OFFICER

the Group's legacy manufacturing segments, the composition of the balance sheet has changed significantly.

Total assets have reduced from £301.8 million to £191.7 million and total liabilities from £204.6 million to £110.3 million. Non-current assets consist largely of goodwill and intangible assets of £116.2 million (2017 – £151.5 million). The Group retained the property that its legacy Books segment, Clays, operates from, which is classified as an investment property within non-current assets at £4.5 million. There has been a significant reduction in inventories and trade and other receivables of £56.9 million and a corresponding fall in trade and other payables and deferred income of £45.9 million.

On the disposal of SP Group Limited ('SP'), a Marketing Activation company, the Group entered into a lease to rent out a warehouse in Redditch to the acquirer, who subsequently exercised a break clause. As a consequence, this building is now being marketed for sale and is disclosed as an "asset held for sale" at £5.3 million.

Disposals

During the period, the Group undertook a strategic review of its legacy segments Marketing Activation and Books. The review concluded that it was in the best interests of all stakeholders of the Group to actively seek buyers for the segments. As a result, the Group ran an extensive process to dispose of the segments, which concluded in June 2018.

On 5 March 2018 the Group announced the disposal of a significant part of its Marketing Activation segment. This comprised of the point of sale business, SP Group Limited, the large format printer Service Graphics Limited and the field marketing businesses Tactical Solutions UK Limited and Flare Limited. The consideration was based on an enterprise value of £6.0 million and resulted in a net cash inflow of £2.5 million after costs and working capital adjustments.

On 1 May 2018 the Group announced the disposal of its Books segment. The enterprise value was £23.8 million. The net cash inflow after costs, working capital adjustment and a contribution of £2.5 million to the St Ives Defined Benefits Pension Scheme (the 'Scheme') was £16.5 million.

FINANCIAL REVIEW continued

The disposal of St Ives Management Services Limited, the remaining part of the Marketing Activation segment, was announced on 25 June 2018. The enterprise value was £11.0 million resulting in a net cash inflow of £10.9 million after costs and working capital adjustments.

The total net cash inflow from disposals in the period after costs and working capital adjustments was £32.4 million.

The impact of the disposals on the Consolidated Income Statement until the date of disposal and for the 52 week comparator period is shown as a single line within the Consolidated Income Statement. Further details are shown in note 8. The net profit included in the Consolidated Income Statement from discontinued operations was £3.2 million (2017 – loss £25.4 million).

Tax

The total tax charge for continuing operations was £1.2 million (2017 – credit of £1.2 million). A number of Adjusting Items are not deductible for taxation purposes. Further details are provided in the Alternative Performance Measures section on pages 29 to 32.

The Group's effective tax rate on the Adjusted profit before tax was 19.8% (2017 – 22.6%) compared to the standard rate of tax of 19.0% (2017 – 19.63%) for the Group. The Adjusted tax charge was £3.7 million (2017 – £3.0 million). The Group's effective tax rate on Adjusted profit is lower than the prior year due to the lower UK and US corporate income tax rates.

A net income tax of £2.8 million (2017 – £0.3 million) was paid in the UK in respect of the 2017 and 2018 financial years.

Dividend

The Board is recommending a final dividend of 1.30 pence per ordinary share (2017 – 1.30 pence) giving a total dividend of 1.95 pence (2017 – 1.95 pence). The dividend is covered 5.2 times by Adjusted earnings and will be paid on 17 December 2018 to shareholders on the register at 23 November 2018, with an ex-dividend date of 22 November 2018.

Pensions

The Group closed the Scheme to new members in 2002 and ceased future accrual within the Scheme in 2008. The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits.

The Consolidated Balance Sheet reflects the net surplus on the Scheme at 3 August 2018 based on the market value of the assets at that date and the valuation of liabilities using AA non-gilt bond yields.

B. Capital expenditure

	2018 £'m	2017 £'m
Continuing Operations	4.1	2.1
Discontinued Operations	0.5	1.4
Total	4.6	3.5

On an IAS 19 basis, the net surplus on the Scheme was £1.9 million (2017 – deficit of £16.0 million) before the related deferred tax liability. The value of the plan assets decreased to £353.4 million (2017 – £354.5 million). Approximately 65% of the plan assets are invested in return seeking assets providing a higher level of return over the longer period. Plan liabilities decreased to £351.6 million (2017 – £370.5 million). The decrease in the plan liabilities is primarily attributable to an increase in the discount rate, a number of experience adjustments and a fall in the rate of increase in life expectancy.

The Scheme's actuarial valuation reviews determine any cash deficit payments by the Group. The Scheme's triennial valuation was as at April 2016 with the next review at April 2019. The Group makes deficit funding contributions of £2.6 million per annum and a contribution of £0.4 million per annum (2016: £0.4 million) towards the costs of administration. On the disposal of the Books segment the Group made a contribution of £2.5 million to the Scheme.

The charge for the year for the Group's defined contribution schemes was £2.1 million (2017 – £2.2 million).

Cash Flow

Cash generated from operations was £25.8 million (2017 – £30.7 million) of which £20.5 million was generated from continuing operations and £5.3 million from discontinued operations.

Total dividends paid were £2.8 million. This consisted of a final dividend for the 2017 financial year of 1.30 pence per share and an interim dividend of 0.65 pence per share.

Total capital expenditure was £4.6 million (2017 – £3.5 million) and included capital expenditure incurred within the Marketing Activation and Books segments until their disposal as explained in table B.

The capital expenditure incurred within the continuing business primarily related to the fit out of new office space or the refurbishment of offices.

Solstice moved into a new office in Chicago allowing them to house all employees in one building and have capacity for future growth.

The merger of the data businesses allowed Occam and Response One to occupy one building in Bath. The freehold building that Response One had previously occupied was sold for a cash consideration of £3.2 million.

The sale of the legacy businesses created extra capacity at the Group's Head Office in London which allowed us to house the employees of AmazeRealise who previously operated from two locations. Pragma combined with FSP and relocated to Amaze's previous London premises with MyBench locating to Realise's previous London office, thereby limiting the amount of underutilised office space across the Group.

The total inflow of funds from the disposal of the legacy businesses was £32.4 million.

Debt

At the balance sheet date the Group's revolving credit facility was £95.0 million with an expiry date of March 2019.

Subsequent to the 2018 financial year end, the Group has successfully negotiated a new revolving credit facility of £85.0 million that will expire on 30 November 2022 on terms broadly in line with the previous agreement. The banking group will consist of HSBC Bank plc, Bank of Ireland and Fifth Third Bank.

Net debt decreased during the year from £54.6 million to £26.0 million, partly reflecting the disposal of the legacy businesses. At 3 August 2018, Kin + Carta had drawn £40.4 million on its revolving credit facility, leaving an unutilised commitment of £54.6 million. The Group had cash and cash equivalents of £14.4 million.

At 3 August 2018, the ratio of net debt to EBITDA before Adjusting Items was 1.1 times (2017 – 1.6 times) as shown in the Alternative Performance Measures section on pages 29 to 32.

In future, the Group will report on a calendar month basis. As such the Group's financial year end will be on 31 July from 2019 onwards.



Brad Gray
Chief Financial Officer
8 October 2018

ALTERNATIVE PERFORMANCE MEASURES

MEASURING OUR PERFORMANCE

The Annual Report includes both statutory and Adjusted results. In the management's view, the Adjusted results reflect the ongoing performance of the business, how the business is managed on a day to day basis and allows for a consistent and meaningful comparison.

The APMs and KPIs are aligned to our strategy and are used to measure the performance of our business and are the basis for remuneration.

The Adjusted results exclude the items listed below as their inclusion could distort the understanding of the performance for the year and the comparison with prior years.

Key adjustments for Adjusted operating profit, profit before tax and EPS

Adjusted operating profit is calculated by adding back costs relating to, restructuring activities, acquisitions made in prior periods, the disposal of surplus property, impairment charges, movements in deferred consideration and St Ives Defined Benefits Pension Scheme. The tax effects of these adjustments are reflected in the Adjusted tax charge. The adjustments are detailed below:

1. Profit on the disposal of property, plant and equipment and restructuring costs – these items are excluded in order to reflect the performance of the business in a consistent manner and how the performance of the business is managed on a day to day basis. They are not considered to be part of the core activities of the business.
They have arisen as a result of initiatives to reduce the cost base and improve the efficiency and collaboration across the Group. The initiatives reflect a significant change in the organisational structure of a business area and are assessed on an individual basis and excluded from the Adjusted results.
2. Amortisation of acquired intangibles and impairments – the amortisation and impairments of assets acquired through business combinations are excluded from Adjusted results. These costs are acquisition related and are not part of the ongoing trading performance of the business. The amortisation of computer software is included within the Adjusted results as it is part of the ongoing trading performance.
3. Contingent consideration required to be treated as remuneration, and increase in deferred consideration – Our acquisitions, where deferred consideration arises, are structured such that the consideration is contingent on continued employment within the Group. Under IFRS 3 this is treated as an expense and therefore part of the statutory result. Where the purchase price has been determined and there is a subsequent increase or decrease arising from the payment of deferred consideration under IFRS 3 this is required to be expensed. We consider this and not part of the underlying trading performance.
4. Administrative expenses related to St Ives Defined Benefits Pension Scheme – the Scheme was closed to new members in 2002 and ceased future accrual in 2008. There are now less than 10 employees who are members of the Scheme and employed by the Group. On the disposal of the Books segment Kin and Carta plc is the last remaining employer. The costs of the Scheme are not considered to be part of the ongoing performance of the Group and they are excluded from the performance measures. As such they are treated as Adjusting Items.

ALTERNATIVE PERFORMANCE MEASURES continued

The analysis of Adjusting Items from continuing operations is set out below:

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Adjusting Items description:		
Profit on disposal of property, plant and equipment	(1,542)	(2,760)
Amortisation of acquired intangibles	8,659	9,889
Expenses related to restructuring items	3,062	283
Impairment of goodwill and other assets	12,082	242
Contingent consideration required to be treated as remuneration	23,994	15,550
Increase in deferred consideration	3,094	7,362
Costs associated with prior period acquisitions and setup of subsidiaries	-	99
Administrative (income)/expenses related to St Ives Defined Benefits Pension Scheme	(31)	1,253
Total Adjusting Items added back to the statutory operating profit	49,318	31,918
Pension finance charge	324	638
Total Adjusting Items added back to the statutory profit before tax	49,642	32,556
Tax related to Adjusting Items	(2,436)	(4,228)
Total Adjusting Items added back to the statutory profit after tax	47,206	28,328

The key APMs frequently used by the Group for continuing operations are:

Revenue growth at constant currency: The measure is defined as the percentage increase in revenue when comparing the current period to the prior period from continuing operations at constant currency. This is calculated by converting revenue of the prior year at the average exchange rate determined during the current year.

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Revenue	178,355	162,948
Retranslation at current year rate	-	(3,318)
Revenue at constant currency	178,355	159,630
Revenue growth at constant currency	11%	-

The average exchange rate for each functional currency is calculated as an average of the 12 monthly Sterling exchange rate ruling at the end of each period.

Adjusted operating profit: This measure is defined as the operating profit or loss less Adjusting Items.

	53 weeks to 3 August 2018 £'000	52 weeks to 29 July 2017 £'000
Statutory operating loss	(28,153)	(15,512)
Add back total Adjusting Items excluding pension finance charge and tax	49,318	31,918
Adjusted operating profit	21,165	16,406

Adjusted profit before tax: This measure is defined as the Group net profit or loss before tax less Adjusting Items.

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Statutory loss before tax	(31,171)	(19,167)
Add back total Adjusting Items excluding tax	49,642	32,556
Adjusted profit before tax	18,471	13,389

Adjusted profit after tax: This measure is defined as the Group profit or loss after tax before Adjusting Items:

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Statutory loss after tax	(32,394)	(17,959)
Add back total Adjusting Items	47,206	28,328
Adjusted profit after tax	14,812	10,369

Adjusted basic earnings per share: This measure is defined as basic earnings per share after Adjusting Items.

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Adjusted profit after tax	14,812	10,369
Weighted number of shares ('000)	146,654	142,642
Adjusted basic earnings per share (pence)	10.10	7.27

Adjusted operating margin: This measure is defined as the percentage of Adjusted operating profit over revenue.

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Revenue	178,355	162,948
Adjusted operating profit	21,165	16,406
Adjusted operating margin	12%	10%

ALTERNATIVE PERFORMANCE MEASURES continued

Adjusted EBITDA: This measure is defined as the Adjusted operating profit or loss before depreciation, amortisation, finance expense and taxation. The amortisation charge is adjusted to remove the effect of the amortisation of acquired intangibles, which is included as an Adjusting Item.

The Adjusted EBITDA for 2017 has been determined on the basis of the Adjusted metric for continuing and discontinued operations for the purpose of calculating the ratio of net: EBITDA.

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Adjusted operating profit	21,165	27,105
Add:		
Depreciation and amortisation – continuing operations for the current year	11,025	16,773
Less: Amortisation of intangibles classified as Adjusting Items	(8,659)	(9,889)
Adjusted EBITDA	23,531	33,989

Net debt: This measure is calculated as the total of loans and other borrowings (both current and non-current), less cash and cash equivalents.

	2018 £'000	2017 £'000
Loans – current liabilities	40,363	–
Loans – non-current liabilities	–	80,245
Cash and cash equivalents	(14,398)	(25,651)
Net Debt	25,965	54,594

Net debt to Adjusted EBITDA: This measure is calculated by dividing Net Debt by Adjusted EBITDA. The Adjusted EBITDA for the prior year is based on continuing and discontinued operations.

	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Adjusted EBITDA	23,531	33,989
Net Debt	25,965	54,594
Net debt to Adjusted EBITDA	1.10	1.61

KEY PERFORMANCE INDICATORS

Growth Catalyst	KPI	2018 Performance
Scaling Our Sales Functions	Strategic Customer Average Spend	<p>>£1m</p> <p>Minimum spend of top 30 clients</p>
Deepen Sector Focus	Revenue by Sector	<p>Focus on five sectors:</p> <ul style="list-style-type: none"> • Healthcare: £12.5 million • Financial: £48.1 million • Transportation: £23.5 million • Industrial and Agriculture: £25.3 million • Retail and Distribution: £38.4 million
Geographic Expansion	Revenue by Region	<p>36%</p> <p>Of total revenue derived from the US</p>

Group KPI

Revenue Growth at Constant Currency	+11%
Adjusted Operating Profit Margin	12%

BUSINESS REVIEW

WHAT WE ARE DOING

Following the disposals of the legacy businesses, the Group’s continuing operations can be reviewed under the following headings:

PERFORMANCE BY CAPABILITIES

Capabilities have touch points across a number of the businesses, for example, AmazeRealise and Solstice both have strategists however the businesses have been placed in capability groups for presentation purposes.

STRATEGY

(Hive, Incite, Pragma)

Our strategy consultancies help organisations understand shifts in their market, and the potential that digital brings across product, marketing and operational areas of the business.

INNOVATION

(Solstice and TAB)

Our innovation firms help organisations capitalise on emerging technologies and industry-leading design to bring new products and services to market.

COMMUNICATION

(AmazeRealise and Edit)

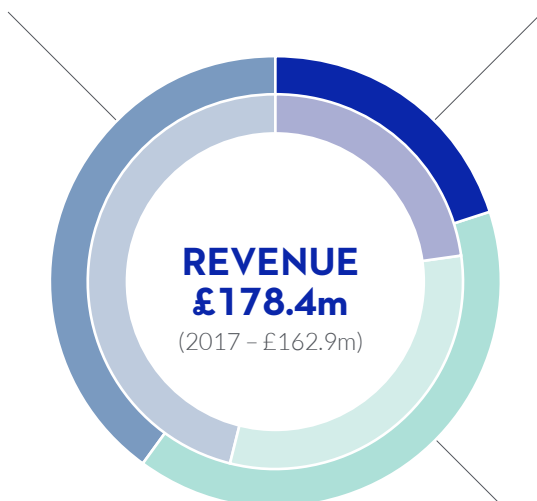
Our marketing and communication agencies help businesses acquire new customers, and build loyalty with existing customers through full-service, integrated digital marketing and commerce.

COMMUNICATION

2018 – 40%
2017 – 46%

STRATEGY

2018 – 20%
2017 – 23%



REVENUE
£178.4m

(2017 – £162.9m)

INNOVATION

2018 – 40%
2017 – 31%

REVENUE BY SECTOR



Healthcare



Financial Services



Transportation



Industrial and Agriculture



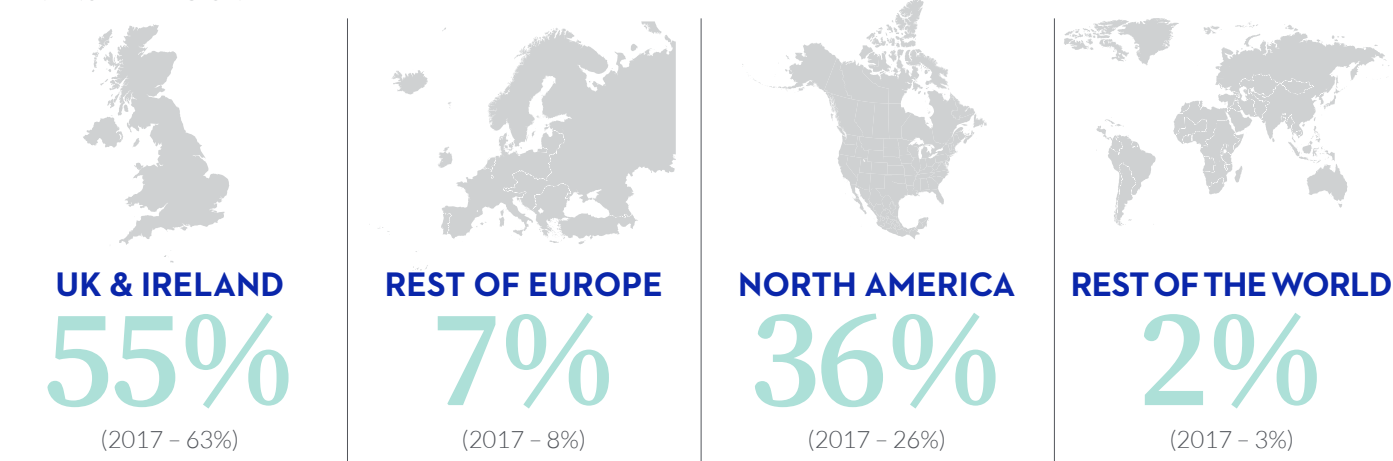
Retail and Distribution



Other



REVENUE BY REGION



Sector Performance

We have identified specific sectors as targeted areas of focus to drive growth: Financial Services; Healthcare; Transportation; Industrials and Agriculture; and Retail and Distribution.

During the year, the Group’s revenue derived from the Financial Services sector increased by 21%, compared to the prior period, to £48.1 million. In the Industrials and Agriculture sector, the Group’s revenue increased from £9.5 million to £25.3 million, which was largely attributable to projects at Solstice such as Rockwell Automation.

Revenue derived from Healthcare fell from £18.1 million in the previous year to £12.5 million. This was primarily due to a number of clients seeking a network solution to their communication strategy. As a result, an impairment charge of £11.8 million was recorded as an Adjusting Item relating to Hive’s goodwill and intangibles. However, due to the unique capabilities of the Group, combined with widespread opportunities in this sector, we witnessed new business wins towards the end of the financial year, such as AbbVie and Pfizer.

Expansion into the Americas

Expansion into the Americas has remained a strategic objective for a number of years and we have seen further organic growth of 32% during the year, with revenue reaching £64.3 million (2017 - £48.8 million). Our Innovation and Transformation areas of expertise already exist in the Americas, and we will continue to enhance these capabilities, as well as seeking further expansion opportunities for Communication.

Integration and Innovation

During the year, Amaze and Realise completed their integration to become AmazeRealise. The new business delivers an improved proposition with combined capabilities to clients and enhances the roll-out of The Connective.

Meanwhile, our former data businesses embarked upon a journey to unify their propositions. This resulted in the creation of Edit, a data science, technology, Customer Relationship Management (‘CRM’) and media agency housing the companies that previously identified as Response One, Occam, Amaze One and Branded3.

Developments in Innovation include our new capabilities and ventures. This year, we saw continued growth derived from our joint venture, Loop Integration LLC, which specialises in Hybris software integration, and Bench, our specialist technology business.

Employees

As a professional services, people-driven business, our employees are key to the success of Kin + Carta. The Group has established a network to support the interests of employees and to attract and retain the best talent. This propels us towards our vision to become an internationally recognised “best place to work”.

We have also worked hard to create a set of shared values – Deeply Connected, Always Courageous and Instinctively Compassionate – which bind every employee and business together in The Connective. The ongoing integration of our brands during the year continues to enable us to achieve a greater sense of our shared values and ways of working.

Strategic Planning

We have developed our Group strategic planning framework around “scaling up”. This shared initiative allows us to align around common goals while giving each of our businesses the autonomy to chart their own course on how to get there.

At the heart of our “scaling up” initiative are objectives around new business growth, employee experience, collaboration and client service. For instance, in August 2018 we deployed a demand generation team to work across the whole of The Connective, focused on reaching out to new and existing businesses, strategic events and developing partnerships.

The Connective is about valuing our people through networks of individuals coming together to make decisions, rather than being constrained by the traditional hierarchies used at other organisations. Our people across The Connective were instrumental in developing the new Kin + Carta brand.

PRINCIPAL RISKS AND UNCERTAINTIES

APPROPRIATE RISK MANAGEMENT

The Board is responsible for carrying out a robust assessment of the principal risks facing the Group, including those threatening our ability to achieve our business model, strategic objectives, solvency and liquidity. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management processes.

Approach to Risk Management

The Group's risk management framework is discussed on pages 52 and 53. A Group Risk Register is reviewed and debated by the Board and Audit Committee twice-yearly, supported by a further open discussion on business risks and challenges at the Board's annual strategy day. The Group Risk Register includes risks that are specific to the holding company, such as corporate financing, and risks escalated from our individual businesses making up The Connective which might have a material effect on the Group as a whole. Risks at subsidiary level are further considered by the Executive Directors during quarterly presentations by each operating business. The presentations include an update on the forecast, current market conditions, strategic direction and a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis provided annually.

The longer-term viability of the Group has been assessed by the Board over a three-year period during the year. Details of this review are on page 82.

Risk Appetite

The Board has reviewed its risk appetite in different areas of the business during the year. Risk appetite relates to the degree of risk we are willing to take or accept to achieve our strategic objectives. It is a key consideration in decision-making across the Group and helps to define the mitigating activities required to manage risks.

The Board seeks to minimise liquidity risks and risks associated with the welfare of our people and thereby has a particularly low risk appetite in these areas. The Connective model facilitates the opportunity for our people to have the opportunity to work in different areas within the organisation and to gain from wider experiences. For liquidity risk, the Group has detailed procedures for monitoring headroom in its bank facility and the associated leverage and interest cover covenants. In other aspects, such as rolling out a new brand to take the business forward, the Board takes a more balanced approach on risk taking. Following the disposal of the legacy Books and Marketing Activation segments during the year, the Group is now principally focused on the provision of digital transformation services to clients. This end-market is currently very fast growing and dynamic, but is subject to rapid technological change which can make the market's evolution and growth difficult to predict. As a result, the Board acknowledges that narrowing the Group's exposure to only this end-market, whilst presenting an enhanced and very significant growth opportunity, also potentially presents a higher and above average level of inherent operational risk. This degree of appetite is aided by the level of experience gained by The Connective and our controls and processes such as the delegated authorities. Thus, the Board has accepted a managed risk profile, whilst attempting to mitigate risks effectively, as we seek to deliver our strategic goals.

Other than the change during the year to the Group's end-market exposure as noted above, the risk appetite of the Group across the principal risks was not altered materially during the year after consideration by the Board. The Board will continue to assess risk appetite annually in light of changes to the economic environment, strategic progress and the performance of the businesses.

Evolving of Principal Risks and Uncertainties

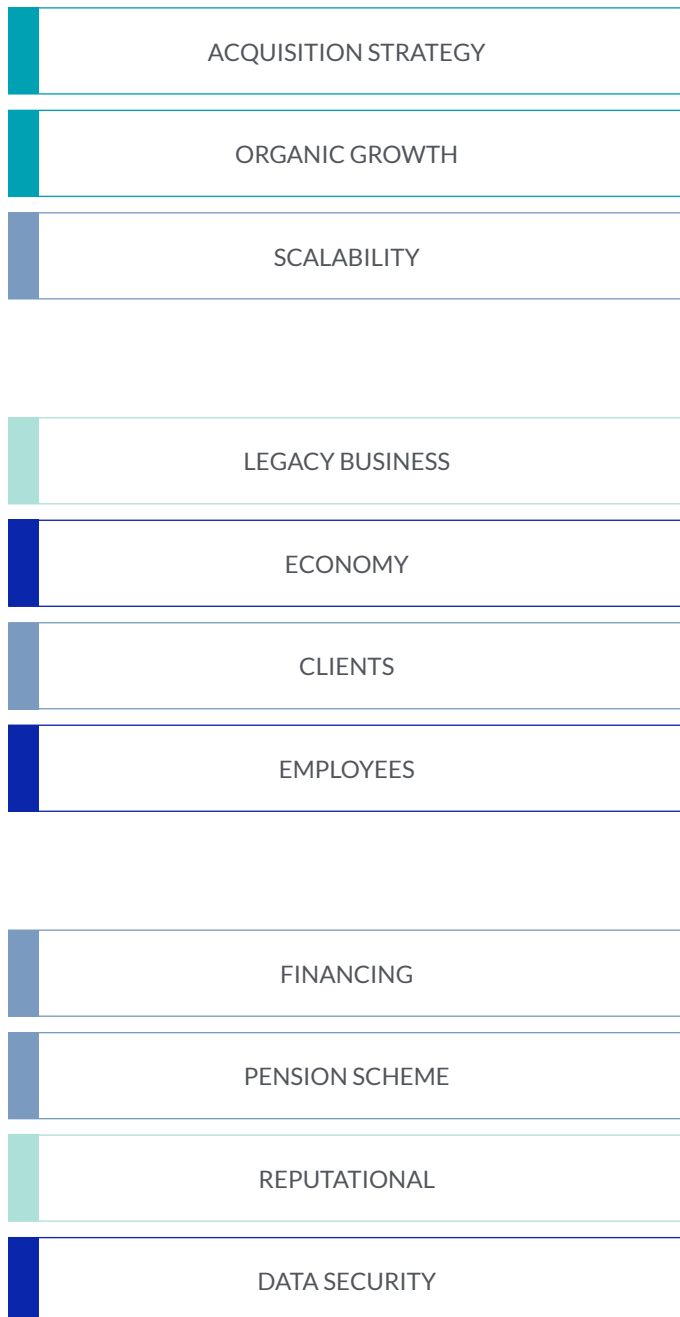
The schedule opposite shows how the Group's principal risks have evolved since the prior year. Two risks from the prior year are no longer shown as principal risks relating to: Legacy businesses; and Reputational risk. The Legacy businesses risk is no longer a principal risk following the disposal of the legacy print businesses during the year and Reputational risk, predominantly concerned with Health and Safety, is no longer considered to be a principal risk of the Group now that there are no manufacturing businesses and our makeup is now entirely that of offices. That said, the health and safety of our people and visitors remains the highest priority for the Group.

It is recognised that the Group is exposed to risks wider than those listed below. The risks disclosed are ones believed to have the greatest impact on our business at this point in time and which have been debated at recent Board or Audit Committee meetings.

Evolution of Risk Key

- Consolidation of risks
- No longer a principal risk
- Change in scope or focus
- No or limited change year on year
- New risk category

PRINCIPAL RISK IN 2017












PRINCIPAL RISK IN 2018



PRINCIPAL RISKS AND UNCERTAINTIES continued

The following table details the Group's principal risks and the key mitigating activities in place to address them. A risk rating from low to high has been incorporated for both the inherent risks and the residual risks by considering both the impact and the likelihood of each risk. The inherent risk rating is measured before taking into account mitigating actions whereas residual risk ratings are after these mitigations have been factored. The changes in the risk ratings from the Board's assessment in the prior year have been highlighted as well as any new key risks that have been added to the register during the year.

Where applicable the relevant growth catalysts from the Group's business model (see page 10) have been attributed to each principal risk.

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2018	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
Growth Growth initiatives may be under invested or not pursued in the right sectors or territories and may therefore fail to deliver growth. L, E	Whilst our digital transformation businesses have strong client servicing organisations, some have under invested in new business and partnership channels, compromising potential growth rates.		 Achieving growth remains a key strategic objective for the Group. The Board considers that the risk rating has increased compared to the prior year due to the increased focus and smaller size of the Group following the disposal of the legacy print businesses. As such it is the impact rather than the likelihood that has resulted in the increase.	<ul style="list-style-type: none"> Further investment in new business functions. Developing the Group's proposition (The Connective) to encourage collaborative behaviour and growth opportunities. Detailed budgets and three-year plans submitted to the Board for review. Stringent selection criteria followed for pursuing acquisitions that fit within the Group's strategy and culture. 	
Scalability Digital Transformation businesses may not have sufficient scale within their sectors to secure substantial customer contracts. L, E	Achieving scalability is important within our Digital Transformation businesses in order to pursue a high growth strategy. Whilst included as a risk, achieving greater scalability is also an opportunity for the Group.		 The inherent risk rating remains the same; however, the Board considers the residual risk rating to be lower than the prior year due to the encouraging signs within The Connective, greater collaboration and the merging of businesses (see Assimilation risk below).	<ul style="list-style-type: none"> Collaboration by businesses such as working on joint pitches. Organic growth of businesses through recruitment drives and opening of new offices. Bringing businesses closer together under a single senior management team (such as in Data) to achieve a greater combined scalable offering. Investment in high growth digital transformation businesses and greater focus on securing longer-term contracts. 	
Assimilation The Group has merged six of its businesses into two digital platforms – AmazeRealise and Edit. Whilst this is the right move in order to create a solid platform for growth, there is a risk of short-term impacts as the businesses assimilate. L	Short-term impact from merging businesses could manifest in the form of temporary challenges as cultures are merged and logistic considerations are managed.		 This risk has been added as a key risk this year following the recent merging of businesses. It is considered to be a short-term risk during the integration phase and will continue to be monitored by the Board.	<ul style="list-style-type: none"> New office moves to house new businesses in the same location and to create a more positive working environment. People focused initiatives and bonding to encourage a uniform culture. Developing processes and procedures to increase efficiency. 	

Principal Risk Key

- High
- Medium
- Low

Change Key

- Increase
- No change
- Decrease
- New risk

Link to Growth Catalysts

- L** Leverage our assets
- E** Expansion of our capabilities




Evolution of Risk Key

- Consolidation of risks
- No longer a risk
- Change in scope or focus
- No or limited change year on year
- New risk category

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2018	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
<p>Economy and volatility Challenging economic conditions may inhibit growth and create uncertainty. This could lead to volatility in earnings given the smaller size of the Group following the disposal of the legacy print businesses.</p> <p>L, E</p>	<p>Uncertainty in the economy, largely associated with Brexit, could result in marketing campaigns or projects being cancelled or deferred at short notice. Whilst the Group does have long-term contracts with clients, the level of spend is predominantly at the client's discretion rather than being derived from guaranteed sales volumes.</p>		<p></p> <p>This risk rating remains high. Whilst selling the print legacy businesses has in part de-risked exposure to markets that have been noticeably impacted by economic developments (e.g. the grocery sector), an economic downturn could still have a very significant impact on the Group's activities.</p>	<ul style="list-style-type: none"> • Diversification into markets that are capable of delivering profit growth with an increasing range of our businesses. • Diversification through growth in the US and opportunities pursued to open overseas offices, where client demand warrants it. • Investment in a wider range of services offered to clients. • A continual review of the Group's cost base. • Secure more long-term client relationships and contracts. • Seek to increase market share by investing in sophisticated and targeted sales lead generation. • A regular review of performance of all businesses against their budgets, monthly forecasting and implementing remedial action, where needed. 	
<p>Clients Competitive pressure that may result in the loss of a key client.</p> <p>L</p>	<p>The Group has a variety of key clients. Long-term relationships have been fostered with many of these clients over a number of years.</p>		<p></p> <p>Following the disposal of the legacy print businesses this risk, whilst significant, has been revised as a lower risk compared to the prior year. The print segments had experienced over capacity with price pressure largely prevalent. No single client makes up more than 5% of the Group's revenue.</p>	<ul style="list-style-type: none"> • Encourage collaborative behaviour across the Group's businesses and create a commitment to cross-selling that will distinguish the Group's digital transformation offering from its competitors'. • Achieve or exceed service level agreements with clients. • Broaden our capabilities, providing marketing solutions in support of our clients' marketing strategies. • Avoid over reliance on any single client. • Implement bespoke propositions for securing the renewal of key client contracts, providing Group support where appropriate • Conduct client satisfaction surveys. 	

PRINCIPAL RISKS AND UNCERTAINTIES continued

Principal Risk Key

-  High
-  Medium
-  Low






Change Key










-  Increase
-  No change
-  Decrease
-  New risk

Link to Growth Catalysts

- L** Leverage our assets
- E** Expansion of our capabilities

Evolution of Risk Key

-  Consolidation of risks
-  No longer a risk
-  Change in scope or focus
-  No or limited change year on year
-  New risk category

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2018	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
<p>Our people A failure to attract, develop and retain employees with the necessary talent for our businesses.</p> <p>L, E</p>	<p>Retaining and recruiting staff is a key priority for the Group as it continues to invest in new and existing service orientated businesses. Following the disposal of the legacy print businesses, the Group is now entirely a people focused business.</p>		<p></p> <p>This risk rating is consistent with the prior year and reflects how central and key our people are to everything the Group is striving to achieve.</p>	<ul style="list-style-type: none"> • Implement appraisals and fulfil training needs where identified. • Develop a collaborative culture across the Group's businesses. • Operate discretionary share-based incentive schemes, and other benefits. • Pay part of consideration in shares to vendor directors of acquired businesses, with 'lock-in' obligations. • Ability of people to second or transfer to different parts of the Group which is enabled by the makeup of The Connective. 	
<p>Brand and culture The Group has undergone a rebranding and whilst considerable thought has gone into this, there is a risk that it might not resonate with the Group's stakeholders and not facilitate the culture being promoted.</p> <p>L, E</p>	<p>It is vital that the brand architecture is cohesive and easily understood by customers and top talent globally.</p>		<p></p> <p>This is a new risk following the launch of the new brand, Kin + Carta.</p>	<ul style="list-style-type: none"> • Involving the operating businesses with the rebranding and its launch through undertaking a thorough consultation process. • Strong leadership alignment at the top of the organisation to demonstrate that the Group's purpose is to serve its employees and not the other way around. 	
<p>Finance The Group's ability to trade may be compromised by a lack of cash funds.</p> <p>L, E</p>	<p>Being able to finance working capital and carry out operations is fundamental to the Group.</p>		<p></p> <p>The risk rating is consistent with the prior year. The bank facility was renewed on 3 September 2018 and runs up to 30 November 2022 with an option to extend for a further year; further details are provided on page 135.</p>	<ul style="list-style-type: none"> • Conduct 'going concern' reviews and longer-term viability assessments twice yearly. • Continually monitor the Group's performance against its banking covenants. • Undertake monthly reviews of working capital, cash forecasts and headroom on banking covenants. • Periodically review the Group's financial KPIs with its bankers. 	

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2018	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
<p>Pension scheme The volatility of the St Ives Defined Benefits Pension Scheme deficit ('the Scheme').</p>	<p>The volatility of the Scheme's deficit is impacted by the inflation rate, changes in the discount rate derived from gilt yields and changes in actuarial assumptions, such as mortality.</p>		<p>⬇️ This risk rating associated with the Scheme has reduced from the prior year as the accounting deficit has been eliminated in the current year. As at 3 August 2018, the Scheme has a surplus of £1.9 million compared to a deficit of £16.0 million in the prior year.</p>	<ul style="list-style-type: none"> • Agree deficit recovery plan with the Pension Scheme Trustee. • Regularly engage the Trustee directors in discussions on the Group's performance. • Manage possible Section 75 debts arising from business disposals and closures. • Contribute to discussions on the Scheme's investment strategy. • Proactively seek to limit the growth in the pension liability. 	
<p>Data security and GDPR Exposure to reputational or financial damage due to corruption or theft of company owned or client owned data or data breaches arising or non-compliance with the General Data Protection Regulation ('GDPR').</p>	<p>This includes the risk of loss of data, sabotage or disruption to the business, fraud, reputation damage, and possible fines.</p>		<p>⚖️ This risk rating is considered to be consistent with the prior year following a comprehensive exercise to assess data security risks and the requirements to comply with GDPR.</p>	<ul style="list-style-type: none"> • IT functions in place around the Group with responsibility to protect data (e.g. encryption, firewalls, restricted access). • Periodic reviews by Internal Audit, utilising in-house IT as well as specialist external consultants. Cyber security and IT questionnaires completed periodically by subsidiaries to highlight areas of potential risk, together with any mitigating actions performed in order to address this risk. • The appointment of a Data Protection Officer for the Group to assist with the Group's GDPR compliance and to provide a report to the Board prior to each Board meeting. • GDPR audits and the rolling out of new policies, processes and procedures. 	

CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBLE AND THOUGHTFUL BUSINESS

Edit's award-winning innovation aids humanitarian efforts.

Edit was named as a finalist at the 2018 IBM Beacon Awards for an innovative tech solution it developed to improve humanitarian aid efforts in Africa. The IBM Beacon Awards recognise IBM Business Partners that have delivered exceptional solutions, using IBM products and services.

Using IBM Watson Visual Recognition, Edit developed a sophisticated prototype called "image classifier", for use by aid volunteer teams in Africa. This concept locates items of interest within an image and combines the result with a custom classifier in order to recognise dwellings in rural areas.

The solution was developed in response to a common problem faced by humanitarian teams on the ground in Tanzania. They were finding that their response times were being hampered by a lack of accurate geographical data, especially those identifying settlements and occupied buildings.

The project was intended to assist charities in identifying areas in rural Tanzania where homesteads are likely to be present, therefore highlighting where focused aid or support may be required. Volunteers currently use the MissingMaps app to pre-select areas on satellite or aerial images that are of interest prior to detailed mapping. This can take up to six weeks. The technology created by Edit, however, using IBM Watson Visual Recognition can reduce this process to a matter of hours. Representatives from Crowd2Map Tanzania, Doctors without Borders and British Red Cross, who are working in Tanzania to end FGM, have shown an interest in Edit's prototype, with discussions now taking place on how this technology may be implemented.

Simon Peel, Technical Consultant at Edit, who led the team on the image classifier solution, explains: "Having seen the work of charities in Tanzania I discovered that a number of time-critical mapping projects don't get completed within the required time, leaving the humanitarian teams on the ground without the local maps they need. The aim of this solution is to dramatically speed up the mapping process so teams can quickly provide humanitarian assistance."

Edit's development of the prototype is an example of the power of technology and how it can transform people's lives. Damian Coverdale, CEO of Edit, adds: "I'm delighted that one of our own has developed a best-in-class example of what an existing piece of tech can do. At Edit, we work closely with IBM as an approved partner, and we will continue to push the boundaries of tech at our fingertips, both now and in the future."

Edit.





CORPORATE SOCIAL RESPONSIBILITY continued

Our Relationships with Stakeholders

The Board is committed to working in a responsible way that benefits all of the Group's stakeholders including our clients and suppliers, our people, the community and our shareholders. It also understands the importance of ensuring that corporate social responsibility is reflected in our business practices.

In this report we outline how we seek to meet the responsibilities to our stakeholders and how we measure the Group's corporate social responsibility performance, now and in the future.

The Group has had no human rights issues that need to be disclosed for an understanding of the development, performance or position of the Group's corporate social responsibility.

Clients and Suppliers

All of our businesses report on how they manage their relationships with key clients, which will help to ensure consistency of the customer journey through The Connective. In order to promote responsible business practices with our clients, the CEO or Managing Director of each business, has signed up to the Group's Anti-corruption and Bribery Policy which, together with the Ethical Trading Policy, is publicised to all employees. It is a disciplinary offence for any employee to breach the Group's Anti-corruption and Bribery Policy, which sets out various principles; such as the Group not permitting political donations or gifts or the making of facilitation payments.

The Group is committed to building strong working relationships with its suppliers, ensuring that they are aligned on quality, delivery, innovation, risk and compliance. The Group operates a rigorous onboarding process. For principal suppliers, this involves the completion of a questionnaire covering financials, conflicts of interest and other relevant information. They are also required to adhere to our Anti-corruption and Bribery Policy, as mentioned above, and our Ethical Trading Policy. This sets out our ethical and compliance values, such as promoting trade and use of goods which are produced and marketed under conditions that are socially, environmentally and financially responsible; and considering the social and economic wellbeing of current and future generations through our business practices.

We are committed to ensuring that there is no slavery or human trafficking within our supply chains and we expect our suppliers to adhere to the Modern Slavery Act 2015 ('MSA'). We have undertaken steps, as far as is reasonable and practicable, to ensure the requirements of the MSA are implemented within our supply chain. Our MSA statement can be found on our website at www.kinandcarta.com.

Payment terms granted to suppliers are negotiated according to the amount at risk and the financial strength of the supplier concerned, which will be adhered to, provided that they perform in accordance with the agreed terms.

The average creditor days outstanding at 3 August 2018 for the Group was 71 days (2017 – 79 days). The Company Secretary maintains a Bribery Risk Register, which is refreshed annually and reviewed by the Board together with a report from the Head of Internal Audit on how the Group's Anti-corruption and Bribery Policy has been applied during the year. The Internal Audit function will follow up any high-risk areas identified from this exercise.

Our People

We are a people business. Therefore, creating an award-winning employee experience is key to the Group's continued growth and success. We will continue to invest in our employee experience through training, social, health and wellbeing initiatives. Current initiatives across the Group range from mental-health training, flexible working hours and inhouse exercise classes.

The Connective organisational structure provides our employees with a unique way of working and this year we launched our shared values – Deeply Connected, Always Courageous, and Instinctively Compassionate – which bind our employees and businesses together. As we grow, our shared values and our culture becomes more important than ever. Therefore, we are striving to encapsulate a culture where our people feel valued, appreciated and enjoy their work.

Attracting, developing and retaining the best people who will thrive in our unique working environment remains a top priority for us. We seek to pay our employees competitive remuneration packages and incentives. We also operate various policies

to protect the interests of our employees such as a Dignity at Work Policy to ensure that the Group provides a working environment free from harassment and bullying, and a clear procedure to tackle such behaviour.

We communicate regularly with our employees on a range of subjects such as recent client projects and the Group's overall strategy and objectives, and our employees are encouraged to give us their feedback and suggest where we can make improvements to our business. We've continued to build employee engagement by rolling out an all employee communication channel where the Chief Executive Officer regularly provides updates to all employees on how the Group is performing and how individuals can contribute to achieving the Group's aims.

We are aware of the importance of making it easy for employees to raise concerns about their job and each subsidiary applies appraisal systems relevant to their business. We also have a Group Speak Up policy which is readily available to all employees to ensure they can raise a concern about the business confidentially.

As at 3 August 2018, we employed 1,453 people including 1,382 full-time and 71 part-time employees. The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, disability, sex, sexual orientation, marital or civil partner status, race, colour, nationality, religion or belief. Employees who become disabled during their working life will be retained in employment wherever possible, and will be given help with necessary rehabilitation and retraining. Wherever practicable, the Group will modify procedures or equipment so that full use can be made of an individual's ability.

By gender, the Group's employees are made up of 897 males and 556 females (62% and 38% of employees respectively) (2017 – 2,184 and 1,036, 68% and 32%); and its senior management is made up of 55 males and 37 females (60% and 40% of senior management respectively) (2017 – 64 and 32, 67% and 33%). The Board is currently made up of six males (86%) and one female (14%). Details of the Group's pension schemes are set out in note 29 to the financial statements.

Charitable Donations

In addition to focusing on one or two themes – such as mental health – or projects each year, the Group makes donations to a broad range of charities. Donations are usually made in cash but may include the provision of time and materials to provide added-value services for charities.

The Group supports charities by: setting and then donating an annual budget to charities serving communities in which the Group operates or to which employees or clients have a particular affinity; matching the total contribution made by the Chairman from forgoing a proportion of his fees and supporting fundraising events for charities nominated by employees.

During the year, the Group made donations of varying sums to a wide spectrum of charities including: Crisis UK (the UK's national charity for homeless people); CALM (a charity aimed at bringing the suicide rate down among men); Cancer Research UK; Brain Tumour Research and Macmillan.

Shareholder Relations

The Board believes in maintaining good relationships with its shareholders. Effective two-way communication with institutional shareholders and analysts takes place through regular presentations involving the Chief Executive Officer and the Chief Financial Officer.

The Board receives an investor relations report at each of its regular meetings. The Chief Executive Officer and the Chief Financial Officer conduct bi-annual analysts' briefings and, where appropriate, meet the Company's major shareholders to further explain the Group's investment proposition. A number of major shareholders have accepted the opportunity to meet Non-Executive Directors including the Chairman.

The Company's top 20 shareholders hold approximately 66% (2017 – 72%) of the Company's issued share capital. Those which have an obligation to notify the Company of their voting interests are shown on page 83.

The Annual General Meeting is regarded as an opportunity to communicate directly with shareholders and the chair of the Audit, Nomination and Remuneration Committees are available at each meeting to answer shareholders' questions.



A PASSIONATE APPROACH TO CONNECTING OUR PEOPLE

In believing that a workforce with better connections will result in a more positive outcome for both clients and staff, Edit planned an activity week for its employees around the theme of “energy”.

Edit devised activities that not only encouraged their people to feel energised about their working week ahead but also deepened the connections between them. Within a couple of hours of announcing Energy Week, Edit had more than 25 employees signed up as volunteers. These employees worked extra hours around busy client schedules to organise activities throughout the week that catered to the varying interests of the diverse workforce. These activities included a Samba band, talks on how the brain works, Kung Fu and hula-hooping lessons.

Edit also collaborated with a local charity, Make-a-Move, which uses techniques in music, movement and mindfulness to build positive mental health and boost wellbeing in communities. In addition to holding morning and afternoon sessions to “power up” and “power down” in the office, Make-a-Move hosted a daily

workshop of meditation and play, which created a safe and supported environment for the employees to express themselves.

Several employees used these workshops to express themselves and get to know one another, which, in some circumstances, made the experience quite emotional. By sharing personal stories and beliefs, the workshops gave each employee a different perspective of themselves and the people they work with, and helped bring staff together, with around 80% of the business agreeing they felt a real sense of connectedness following the sessions.

Following the success of Edit's Energy Week, there is now an overriding sense of the benefits of doing more together. Emma Hogan, Head of Employee Experience at Edit, explains: “Creating a great workplace is about supporting and nurturing the people within it; giving our employees the opportunity to connect and support one another to be great. Having completed a hugely successful Energy Week, we are definitely one step closer to this goal, and will continue to encourage feelings of positivity and connectedness between our employees.”

Edit.

CORPORATE SOCIAL RESPONSIBILITY continued

Total Group carbon emissions (thousand tonnes)

2018	9.9
2017	13.7
2016	14.7

Scope 1 – emissions from activities owned or controlled by the Group: 2.6 thousand tonnes (2017 – 2.8).

Scope 2 – emissions associated with our consumption of purchased electricity, heat, steam and cooling: 7.3 thousand tonnes (2017 – 10.5).

CO₂e intensity measure

– grams per £ of revenue:

Group: 30.9 (2017 – 33.9)

Water consumption ('000 m³)

2018	38.5
2017	47.1
2016	57.9

Environment

We are committed to minimising our impact on the environment and believe that our responsibilities in respect to environmental protection rank in equal importance with other key business objectives. The Board is responsible for setting the Group's Environmental Policy and publishes an Environmental Policy Statement each year on its investor website at: www.investors.kinandcarta.com. In an effort to minimise our impact on the environment, a deemed consent letter was sent to shareholders in August 2018 regarding the Group's use of electronic communications.

We continually monitor and work to reduce the Group's carbon emissions, waste sent to landfill and water consumption. We report our CO₂e emissions in line with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. In doing so we have adopted the following methodology:

- a) An operational boundary approach has been applied on Scope 1 and Scope 2 emissions in the UK using Department for Business, Energy and Industrial Strategy ('BEIS') Standard Set conversion factors for 2018.
- b) Where actual energy consumption data cannot be obtained we have estimated emissions, pro rata, based on the data recorded by similar sites in the Group. Using this methodology, the estimated emissions from these sites equate to 0.4% of the Group's total emissions.
- c) Scope 3 emissions are not reported on as they are outside our operational control. The Board will, however, keep this under review.

The charts show the Group's Scope 1 and Scope 2 CO₂e emissions and our CO₂e intensity measure (which is grams of CO₂e per £ of revenue). The CO₂e emissions performance of reporting segment is not included this year given the Group is purely a digital transformation business, following the disposals of the Marketing Activation and Books segments.

The most significant finding is the change in the Group's intensity ratio, which has decreased year on year by 9% from 33.9 CO₂e / £ revenue to 30.9. This has come about due to the restructuring of the Kin + Carta portfolio during the period ended 3 August 2018. Due to the energy-intensive nature of the Books and Marketing Activation segments, the disposals of these businesses had a significant effect on the Group's Intensity Ratio. This pattern is set to continue, and next year will be the first year with no contribution from the Books and Marketing Activation segments.

The most significant change in the Group's energy profile can be found in electricity, which has fallen from 77% of the carbon dioxide emitted by the Group to 73.8% as a result of the disposals and move away from energy-intensive lines of business. Electricity emissions have fallen to 7,282 tonnes of CO₂ in 2018 from 10,545 in 2017, a reduction of 31%. This single change is responsible for the vast majority of the reduction in the Group's CO₂ emissions. There has also been a reduction in vehicle emissions as a result of the disposal of the Marketing Activation segment. The 2018 total vehicle emissions figure is 586 tonnes of CO₂ (a reduction of 58% from 1,384 in 2017) and in natural gas emissions, the 2018 figure was 521 tonnes of CO₂ (a reduction of 21% from 660 in 2017). These reductions in emissions are due to the disposals of the Marketing Activation and Books segments, resulting in the Group being a digital transformation business.

Water Consumption and Waste to Landfill

The Group's water consumption reduced due to the disposals of the Marketing Activation and Books segments during the year. Since the majority of the water consumption relates to the disposed businesses, the level relating to the continuing operations is immaterial.

Waste to landfill was immaterial during the year and this trend is expected to continue.

Health and Safety

Health and Safety of our employees is a priority for the Board at all times. The Board ensures that responsibilities for Health and Safety are properly assigned, accepted and carried out within the organisation. A Statement of the Board's approach to Health and Safety is publicised at all of the Group's offices, and each business's CEO or Managing Director has formally acknowledged their role in ensuring that all employees are aware of their legal duties under health and safety legislation.

The first item on the agenda for each parent Board meeting is to receive a report on health and safety-related KPIs, selected to measure and manage the Group's health and safety performance, which are as follows:

- monthly and cumulative statistics on near misses, all accidents, all lost time accidents, total days lost and Reportable Accidents; the Group's Accident Frequency Rate, the Group's Injury Incidence Rate and a report on employment liability insurance claims;
- the circumstances of any lost time accidents and Reportable Accidents and management action taken as a result are also considered; and
- Group initiatives for improving health and safety performance.

The Group operates a bespoke online health and safety management system for:

- reporting accidents and near-miss incidents;
- hosting a health and safety document library; and
- applying standards of accreditation to contractors who apply for consent to work at our sites.

A driver safety awareness programme is in place throughout the Group.

The total number of accidents at the Group's sites for the period ended 3 August 2018 which resulted in at least seven days' absence each was two (2017 – four). This is a 50% improvement on 2017. There was one significant injury during the period (2017 – zero) relating to a wrist injury and this occurred in Tactical Solutions UK Ltd, which was disposed of during the period. Due to the Group moving from high-hazard manufacturing sites to lower-hazard, office-based sites, following the disposal of the Group's legacy businesses, the number of days' work lost from all accidents at work was 55 days (2017 – 201) which is a 72% improvement on last year. The number of near-miss events recorded during the year was 525 (2017 – 1,095) which represents a 52% decrease from 2017.

Kin + Carta's accident and RIDDOR rates dropped dramatically towards the end of the period, which reflects the reduced risk profile of the Group due to the sale of the Marketing Activation and Books segments, both of which worked within high-hazard manufacturing environments. The remaining businesses are now working across office-based sites, which are lower hazard and expose employees to a lower injury risk.

The focus of the Group going forward will be to continue to improve working practices, focusing on training in the reduction of potential long-lead ill health issues, such as repetitive strain injuries, eye strain from the use of display screen equipment, stress-related illness, poor manual handling techniques and proactive fire reduction and evacuation processes.

A copy of the Group's Health and Safety Policy is available at www.investors.kinandcarta.com.

This Strategic Report on pages 4 to 47 was approved by the Board of Directors and signed on its behalf by



J Schwan
Chief Executive Officer
8 October 2018



KIN + CARTA

Corporate Governance

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CORPORATE GOVERNANCE REPORT

GUIDANCE + DELIVERY

Sound corporate governance contributes to the success and sustainability of performance as well as the reputation of the Group's business.

Dear Shareholder

The Board invests a significant amount of time on maintaining high standards of governance, in recognition of the value that sound corporate governance can add to the success and sustainability of performance as well as the reputation of the Group's business. I am pleased, therefore, to introduce our Corporate Governance Report for the period ended 3 August 2018 ('the period'), which includes individual reports from the Chair of each of the Audit Committee, Nomination Committee and Remuneration Committee on pages 56 to 80.



Board of Directors and its Membership

The Board's membership throughout the period and the Directors' attendance at pre-arranged meetings of the Board is set out in the table on page 52.

The Board meets at regular intervals and is responsible to the shareholders for overall Group strategy, acquisitions and divestments, major capital projects, risk and financial matters. Senior executives within the Group make regular presentations to the Board to apprise the Directors on their markets and how they serve them, growth opportunities and future challenges and how they propose to address them. All Directors receive agendas and papers in advance of each Board meeting. Following the meeting, detailed minutes are recorded and actions followed up.

The Board is satisfied that it has an effective and appropriate balance of skills and experience and that, throughout the period, each of the Company's Non-Executive Directors was independent in character and free from any business or other relationship which could materially interfere with the exercise of his or her judgement. In reaching this opinion, the Board has carefully considered potential conflicts of interest and the balance between applying good practice and what it believes is in the shareholders' best interests. The Non-Executive Directors have a clear understanding of their roles and responsibilities, which are appropriately documented. The Non-Executive Directors met during the period, without any Group executive being present. Mike Butterworth fulfilled the role of Senior Independent Director.

The roles of Chairman and Chief Executive Officer are separate and distinct, and an appropriate division of responsibilities between the two has been set out in writing and approved by the Board. The Chairman has responsibility for the

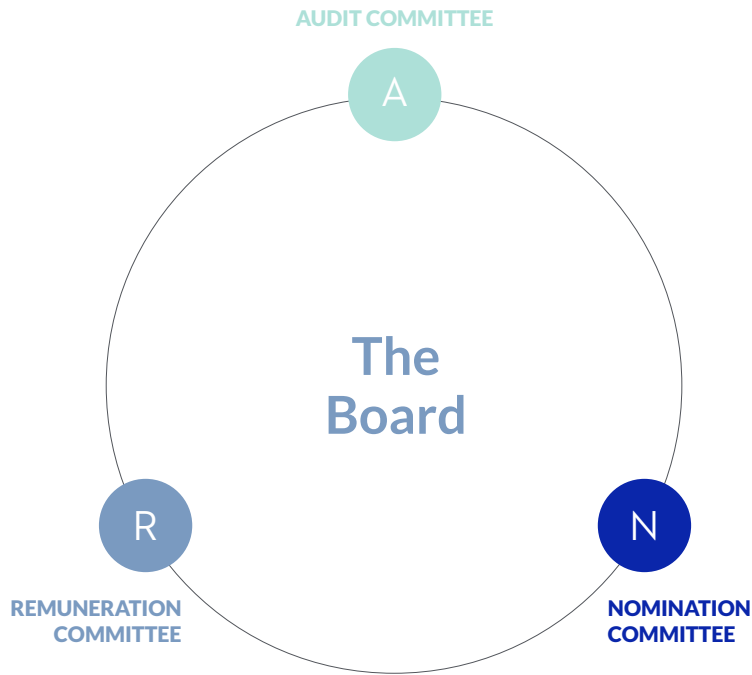
management of the Board and related matters whilst the Chief Executive Officer has responsibility for executive leadership of the Group, and for strategy implementation and performance.

The Company's articles of association set out detailed provisions for the retirement of Directors and their re-appointment or appointment at the forthcoming Annual General Meeting ('AGM'). Although not required under the UK Corporate Governance Code (April 2016) ('the Code'), all of the Directors continue to voluntarily agree to retire at the 2018 AGM and seek re-election, except for J Schwan and David Bell who were appointed as Chief Executive Officer and Non-Executive Director respectively on 4 August 2018 and will therefore seek shareholder approval for their appointments at the forthcoming AGM.

Board Activity

During the period, the Board carried out a review of matters reserved to it for decision. The Executive Directors meet regularly with the chief executive officers and managing directors of the Group's businesses to discuss strategy alignment, knowledge sharing, performance, major customers, sales growth (including cross selling and collaboration opportunities), risks and people matters.

All Directors have full and timely access to all relevant information needed to enable them to properly discharge their responsibilities and have unrestricted access to other executives within the business to discuss any matter of concern to them. A procedure exists for Directors to seek independent professional advice in the furtherance of their duties and to be reimbursed their reasonable legal fees. Each Director also has access to the advice and services of the Company Secretary.



Our Board and Committee Structure

The Board is supported by Audit, Nomination and Remuneration Committees.

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including: the appropriateness of any judgements and estimates taken in preparing the financial statements; the internal and external audit functions; the effectiveness of the risk management systems and the monitoring of all internal controls.

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including the consideration of skills, knowledge and experience of Board members. It also manages succession planning and selects potential new Board candidates when appropriate.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Executive Directors' remuneration, whilst supporting shareholder value and the delivery of the Group's strategic priorities.

The areas of focus for the Board during the period were: divestment of the legacy print businesses, the Group's strategy and rebranding, health and safety performance; trading performance; risk; corporate governance; and Board composition and performance. The Board also held an annual strategic review away-day at which, inter alia, presentations were received from the senior executives of four of the Group's digital transformation businesses.

Board Performance

The Board confirms, following a performance review, that all of the Directors standing for re-election continue to perform effectively and demonstrate commitment to their roles.

Recommendations following the formal evaluation of the effectiveness of the Board by a third party consultancy,

The People Stuff, in July 2017 were implemented during the period. These included:

- improving the review around strategy and risks at Board meetings to achieve greater alignment; and
- restructuring the Board meeting agenda to incorporate all important areas covered in meetings.

This period, the evaluation was conducted on a less formal basis, following the formal evaluation in July 2017, taking the form of one-to-one interviews between the Chairman and each Director. The Board is satisfied that the Board is operating effectively and agreed to implement recommendations that arose from the interviews in the forthcoming year. An evaluation of the Chairman was also carried out by the Non-Executive Directors, led by the Senior Independent Director.

Board Activity

All Directors have full and timely access to all relevant information needed to enable them to properly discharge their responsibilities.

INTRODUCTION TO GOVERNANCE continued

On appointment, each Director receives an induction appropriate to their previous experience and their knowledge of the markets in which the Group operates. J Schwan joined the Board as Chief Executive Officer on 4 August 2018 and, as part of his induction, he met with the Board of Directors and the managing directors of each of the businesses, as well as receiving appropriate induction materials and briefing sessions. David Bell joined the Board as Non-Executive Director on 4 August 2018 and received induction materials such as company policies and information related to the Company's Directors' and Officers' liability insurance.

Board Committees

The Board is supported by Audit, Nomination and Remuneration Committees. The Company Secretary acts as Secretary to all the Committees and each Committee has written terms of reference available on the Group's investor website (www.investors.kinandcarta.com).

The Audit Committee Report on pages 56 to 59 discusses the principal activities conducted by the Committee during the period, the significant matters which were considered and how the Committee addressed these issues.

A report on the work of the Nomination Committee is set out on page 60.

A statement from the Chair of the Remuneration Committee and the Directors' Remuneration Report can be found on pages 61 to 80.

As a third party consultancy, The People Stuff, referred to on page 51 and with whom the Company has no other connections, carried out formal evaluations of the effectiveness of the Board's Committees in July 2017, and internal questionnaires were sent to the Committees' members to assess Committee effectiveness during the period. The outcome in each case was that they continued to run well and were effectively chaired and supported.

The membership of each Committee throughout the period under review is set out in the aforementioned reports.

Board and Committee Attendance

In the opinion of the Board, the Board and its Committees each met sufficiently frequently to properly discharge the responsibilities set out in their respective terms of reference.

Details of Directors' attendance at Board and Committee meetings based on their maximum possible attendance during the period are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Matt Armitage	9/9	–	3/3	–
Mike Butterworth (Senior Independent Director and Chair, Audit Committee)	9/9	3/3	3/3	5/5
Ben Gordon	2/3	1/1	1/1	2/2
Brad Gray	9/9	–	3/3	–
Helen Stevenson (Chair, Remuneration Committee)	9/9	3/3	3/3	5/5
Richard Stillwell (Chair, Nomination Committee)	8/9	–	3/3	–
Nigel Pocklington	9/9	3/3	2/3	5/5

* This table only shows details of attendance at meetings in the pre-arranged annual meeting calendar. Other ad-hoc meetings were held during the period.

Note: As J Schwan and David Bell were appointed to the Board after the year end on 4 August 2018, they were not eligible to attend any of the Board meetings during the period.

Throughout the period at least three Independent Non-Executive Directors served on each of the Audit, Nomination and Remuneration Committees.

Internal Control and Risk Management

The Group has in place a corporate reporting and risk management framework in compliance with Principle C3 of the Code after having due regard to the Financial Reporting Council Guidance.

The Board is responsible for the Group's system of internal controls, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. A workable and realistic system can only be designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives, safeguard the Group's assets against material loss and fairly report the Group's performance and position in line with relevant legislation, regulation and best practice. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss.

As part of the annual budget process, each business is required to submit an analysis of strengths, weaknesses, opportunities and threats to the Board's Executive Directors. Once consolidated by the Group's finance function, the Board's Executive Directors review this detail with senior managers of the subsidiaries, and if necessary, findings from this analysis will be elevated to Board level discussion for further consideration. The Company puts in place a series of forecasting mechanisms in order to receive information from the businesses across the Group and to forecast as efficiently and effectively as possible.

Risks within the business relating to strategic, market, operational, financial, legislative, regulatory, contractual and reputational matters are referred to the Board as necessary and the Directors consider themselves collectively responsible for ensuring that these risks are suitably managed.

The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. On pages 36 to 41 we set out the principal risks and uncertainties that have been identified from the reporting and risk management framework; their possible impact on the business; and what mitigating actions the Board has approved.

The Board carries out reviews twice per annum and considers the impact that these principal risks and challenges might have on the business and on the Group's ability to meet its strategic objectives.

The process by which the Board exercises control is by holding (a) nine scheduled Board meetings per annum; (b) an annual Board strategy away-day; (c) regular meetings of senior management within each business which are chaired by an Executive Director; and (d) regular management meetings of each operation within the businesses. Risk is reported on and monitored between the senior management teams of each business and the Executive Directors, and any new areas of significant risk to the businesses are then raised at the next Board meeting if considered appropriate.

The Group's Internal Audit function consists of a qualified accountant who, as necessary, draws on additional resource from professional services firms. The work planned for Internal Audit to undertake is linked closely to the risk management framework, with the internal audit plan designed to give assurance around key risk areas. The Committee has commenced a process in order to evaluate the effectiveness of the Internal Audit function during the 2018/2019 financial year.

The Internal Audit function independently reviews the risk identification procedures implemented by management. Internal Audit reviews subsidiary risk registers and ensures they are updated by the heads of finance in each business. Verification of mitigating actions takes place on a cyclical basis as part of the annual audit cycle.

During the period the Internal Audit function performed work on the Group's internal controls; reviewing the control environment and conducting testing of key controls. Controls testing of procurement, accounts payable, payroll, accounts receivable and credit control cycles took place at selected sites, including work at the Group's Shared Services Centre which provides centralised accounts payable, credit control and general ledger services to a number of the Group's companies. High risk issues identified within audit reports, together with corrective actions were considered in detail at the meetings of the Audit Committee.

Annual internal control questionnaires, supplemented by a half year questionnaire, are completed by all the Group's businesses and reviewed by the Head of Internal Audit and supplied to the external auditors. Any inconsistencies with the Group's established corporate governance regimes which are identified are disclosed to the Audit Committee.

Compliance Statement

The corporate governance rules applying to Kin and Carta plc (as a FTSE 'small-cap' company listed on the London Stock Exchange) for the period ended 3 August 2018 are contained in the UK Corporate Governance Code (April 2016) ('the Code'). The Code requires us to describe in our Annual Report our application generally of the Code's Principles and specifically our dealing with any non-compliance of the Code's provisions. The Code can be read in full on the Financial Reporting Council's website (www.frc.org.uk).

In the opinion of the Board, the Company has, throughout the period, been in compliance with the Code's Provisions.

This Corporate Governance Report, together with the reports on pages 56 to 80, describes how the Board has applied the Principles contained in the Code and, where appropriate, where it has adopted elements of corporate governance good practice.

In July 2018 the FRC published a revised Corporate Governance Code which will come into effect on 1 January 2019. The Board is currently reviewing the extent and implications of changes that have been made. During the course of 2019 the Board intends to make any changes to its practices and procedures with a view to establishing the appropriate level of compliance by the start of the 2019/2020 financial year.

Approved by the Board of Directors and signed on its behalf by



Richard Stillwell
Chairman
8 October 2018

BOARD OF DIRECTORS

STRONG LEADERSHIP

David Bell
Independent
Non-Executive
Director

J Schwan
Chief Executive
Officer



Mike Butterworth
Senior
Independent
Non-Executive
Director

Helen Stevenson
Independent
Non-Executive
Director



Brad Gray
Chief Financial
Officer

Richard Stillwell
Chairman



Nigel Pocklington
Independent
Non-Executive
Director

**Committee Membership**

- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

David Bell

Independent Non-Executive Director

Appointed: 4 August 2018

Experience: David has served as CEO of two of the world's largest Advertising Marketing Services companies, NYSE-listed True North and Interpublic Group ("IPG"). He was also CEO of Bozell Worldwide, which he helped grow to a top-ten global agency. From 2006 to 2009, David was a senior advisor to Google and has been in a similar position with AOL/Oath since 2009. David was elected by his peers into the Advertising Hall of Fame in the US in 2007 and in 2013, the Hall of Fame established the David Bell Award which is given to one inductee who has best demonstrated this level of service. David was an independent director at Time Inc. between 2014 and 2018 and has previously served on numerous other US listed company boards, as well as many growth stage companies in the marketing and media technology sectors.

Other roles: David is currently an independent director of Creative Realities Inc.

Mike Butterworth

Senior Independent Non-Executive Director

Appointed: 1 August 2010

Committee: ● ● ●

Experience: Mike Butterworth, ACA served for eight years as Group Finance Director of Cookson Group plc, a FTSE250 company, until December 2012 when Cookson was de-merged. Previously, Mike was Group Finance Director of Incepta Group plc for five years, an international marketing and communications group, prior to which he spent five years as Group Financial Controller at BBA Group plc, the international aviation and materials technology group. Mike is the Senior Independent Non-Executive Director and chairs the Audit Committee.

Other roles: Mike currently holds Non-Executive Directorships, and is Chairman of the Audit Committee, at Cambian Group plc, Johnston Press plc and Stock Spirits Group plc.

Brad Gray

Chief Financial Officer

Appointed: 1 August 2014

Committee: ●

Experience: Brad Gray, ACA joined the Group from Grant Thornton in 1988, and held a number of finance positions for the following six years. In 1994 he was appointed Finance Director of the Group's magazine printing business before serving as its Deputy Managing Director until 2007. Brad then continued in general management, as Managing Director of SIMS, and subsequently as the Group's Operations Director. In 2010 he was appointed Corporate Development Director, playing a key role in implementing the Group's acquisition strategy. In 2012 Brad's responsibilities were broadened to include the responsibilities of Deputy Finance Director. He was appointed Chief Financial Officer on 1 August 2014.

Nigel Pocklington

Independent Non-Executive Director

Appointed: 1 June 2016

Committee: ● ● ●

Experience: Nigel held a variety of senior management positions within Expedia Inc., including President of eBookers and Chief Marketing Officer of Hotels.com, from 2007 to 2016. He spent a decade of his early career at Pearson plc, including a period leading the digital operations of the Financial Times.

Other roles: Nigel is Managing Director, Insurance and Home services at Moneysupermarket Group plc, and is also responsible for the group's Travelsupermarket business.

J Schwan

Chief Executive Officer

Appointed: 4 August 2018

Committee: ●

Experience: J is the Founder and former CEO of Solstice. After founding the company in 2001, he continued to lead his growing team with the vision of helping industry leading global brands evolve and capitalise on new technology. His mission was to usher these large enterprise corporations into a post-mobile era dominated by disruptive technologies and digital startups. J received his Bachelors in Engineering from the University of Illinois at Urbana-Champaign and began his career at Andersen Consulting. He is passionate about building a company with a foundation on servant leadership and fostering an innovative culture that puts people first.

Helen Stevenson

Independent Non-Executive Director

Appointed: 1 May 2012

Committee: ● ● ●

Experience: Helen Stevenson was Chief Marketing Officer UK at Yell Group plc from 2006 to 2012 and, prior to this, served as Lloyds TSB Group Marketing Director. Helen started her career with Mars Inc where she spent 19 years, culminating in her role as European Marketing Director, leading category strategy development across Europe. Helen has in the past served as a Non-Executive Director on the main board of the Department of Work and Pensions. Helen chairs the Remuneration Committee.

Other roles: Helen currently holds Non-Executive Directorships with the Skipton Building Society, Reach plc and Shirlaws Group, and serves on the Strategic Advisory Board of Henley Business School.

Richard Stillwell

Chairman

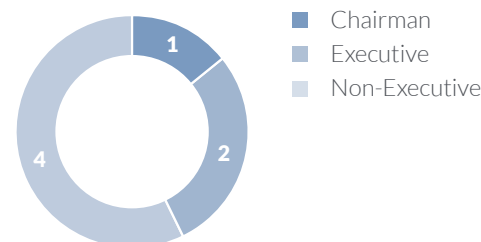
Appointed: 26 April 2011

Committee: ●

Experience: Richard Stillwell joined the Board on 1 September 2006 and was appointed Chairman of the Company on 26 April 2011. Richard was Executive Vice President of ICI plc, where he had held various posts for 26 years until 2000, before changing career and qualifying as a barrister. More recently Richard has held Non-Executive Directorships at Penna Consulting plc, Scott Bader Ltd, TBI Ltd and Fibreweb plc, as well as Albertis Motorways UK Ltd and Albertis Overseas (UK) Ltd. Richard chairs the Nomination Committee.

Other roles: Richard is currently a Non-Executive Director of Curo Group (Albion) Ltd, a not-for-profit company involved in the provision of housing and community services.

Board Structure



AUDIT COMMITTEE REPORT

The Audit Committee's key role is to gain assurance around processes that support financial reporting, including internal control, risk management and legal and regulatory compliance, together with financial reporting itself.

Dear Shareholder

I am pleased to present a report on the role of the Audit Committee and its activities during the period ended 3 August 2018.

Current Membership

I chair the Committee and bring recent and relevant financial experience to it, having served as Chief Financial Officer of a FTSE250 company for eight years until December 2012. Throughout the period under review and the current financial year to date, the other members of the Committee were Helen Stevenson and Nigel Pocklington. Ben Gordon was a member of the Audit Committee until he stepped down from the Board on 30 November 2017. The Audit Committee as a whole has competence relevant to the sector in which the Company operates.

In addition to the Committee members, the Chairman, the Executive Directors of the Board, the Head of Internal Audit and the external audit partner are invited to attend each meeting. The Committee members do, however, meet separately at least twice a year with the external auditors and the Head of Internal Audit and I am in frequent contact with both the external audit partner and the Head of Internal Audit.

Role of the Committee

The Committee carries out the functions required by DTR 7.1.3R of the UKLA Disclosure and Transparency Rules. The principal responsibilities of the Committee are set out in the Committee's terms of reference, which are available from the Group's investor website (www.investors.kinandcarta.com).

Main Activities of the Committee in 2017/2018

The Committee held three scheduled meetings in the period at which it:

- agreed an internal audit plan;
- considered reports from the Group's Head of Internal Audit;
- monitored the quality of work performed by the Internal Audit function;
- considered the appropriateness of the Group's risk management process, including the results of an internal controls questionnaire, completed by management within the Group's operating sites;
- considered the external auditor's reports to the Committee, their fees and their independence, including an assessment of the appropriateness to conduct any non-audit work;
- participated in the external auditor tender process;
- ensured the integrity of the financial reporting process was upheld;
- reviewed the Group's trading updates and Half Year Report prior to release;
- considered significant accounting and reporting issues pertinent to the preparation of the Half Year Report and the Annual Report and Accounts;
- analysed the effectiveness of the external audit by reviewing replies to questionnaires completed by management and Audit Committee members;
- agreed a process for the review of the Committee's effectiveness;
- received the Group's updated bribery risk register and considered the effectiveness of recommendations by Internal Audit;
- approved the Group's policy on the provision of non-audit services, in alignment with EU rules;
- approved the Committee's terms of reference;
- approved the Group's Speak Up policy which covers whistleblowing arrangements;
- assisted the Board with the review of the Company's Business Risk Register;
- considered an assessment of the Group's longer-term viability; and
- received a report setting out the Going Concern review undertaken by management.

The Committee was satisfied with the effectiveness of the internal controls within the Group during the period.

Annual Report and Accounts 2018

The Committee undertook a review and assessment of the Annual Report and Accounts 2018 (the 'Annual Report') in order to determine whether, in its opinion, the Annual Report for the period, taken as a whole is fair, balanced and understandable and provides shareholders with the information they need to assess the Group's position, performance, business model and strategy. To provide additional support to the Board in making this assessment, the Committee approved and monitored a detailed review and verification process of the Annual Report undertaken by management and provided confirmation to the Board that this process was both followed and effective. In this respect, the Committee:

- received reports on the requirements of Provision C.1.1. of the Code, which were updated as an ongoing part of the year end process;
- reviewed a full draft of the Annual Report, using an evaluation tool to help judge what constitutes 'fair', 'balanced' and 'understandable'; how performance is reported; the explanation of the business model; and the articulation of the Group's strategy and whether the Annual Report, in the opinion of the Committee, complies with Provision C.1.1. of the Code; and
- reviewed the outcomes of reviews performed by the external auditors.

Significant Financial Matters

The Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in respect of significant financial matters. The Committee considered accounting papers which provided details on the main financial reporting judgements and classifications, which were addressed as follows:

SIGNIFICANT MATTERS CONSIDERED	HOW THE COMMITTEE ADDRESSED THESE ISSUES
The assessment of the carrying value of goodwill (£84.7 million) and intangible assets (£31.5 million)	<p>The Committee received reports in relation to the assessment of the carrying value of the goodwill for each cash generating unit ('CGU'). The Committee considered key judgements including the discount rate, terminal growth rates and the future cash flow forecast of each CGU to which goodwill and investments are allocated, based upon the projected forecasts approved by the Board. The conclusion of the review and the key assumptions are disclosed in the notes to the Consolidated Financial Statements.</p> <p>The Committee considered reports on the carrying value of acquired intangible assets where there were indicators of impairment such as loss of clients, maintenance of proprietary techniques and trademarks. The Committee also reviewed disclosures where a reasonably possible change indicated a material impairment.</p> <p>During the period, the Committee reviewed the impairment assessment of goodwill and intangible assets for the Hive CGU that had been carried out by management, and concluded that impairment charges of £9.6 million and £2.1 million respectively were recorded in the Consolidated Income Statement. This was due to a decline in Hive's revenue. A further impairment charge of £0.4 million was recognised in respect of Fripp, Sandeman and Partners' intangible assets due to obsolete technology.</p> <p>The above charges have been recorded as Adjusting Items in the Consolidated Income Statement (note 7).</p>
The classification of Adjusting Items (£49.6 million before tax)	<p>The Board uses Adjusted results as the measure of the ongoing financial performance of the Group's businesses and excludes such items that are considered to distort the comparison of the trading performance of the Group and across its businesses. The Audit Committee assessed the classification of these Adjusting Items according to their nature and value, in line with ESMA and the FRC Guidance ('APMs'). The Committee reviewed reports outlining the accounting policy on the classification of Adjusting Items and satisfied itself with the treatment applied.</p> <p>The accounting policy on Adjusting Items can be found in note 7 to the Consolidated Financial Statements and in the Alternative Performance Measure section on pages 29 to 32.</p>
The valuation of the St Ives Defined Benefits Pension Scheme (£1.9 million surplus)	The valuation of the St Ives Defined Benefits Pension Scheme (the 'Scheme') is judgemental mainly due to underlying assumptions used to determine the Scheme's liability. This includes assumptions such as the discount rate, inflation and life expectancy of the Scheme members at the balance sheet date. The Committee reviewed reports from management outlining the assumptions used, and agreed with those assumptions as outlined in note 29. The assumptions presented to the Audit Committee by management are underpinned by actuarial advice. The Audit Committee considered the suitability of the actuary.
The accounting treatment of discontinued operations (£3.2 million profit after tax)	During the period, the Group disposed of its Marketing Activation and Books segments, giving rise to profit after tax from discontinued operations of £3.2 million. The Committee assessed the treatment of these discontinued operations and was satisfied with the approach taken.

AUDIT COMMITTEE REPORT continued

Going Concern

The Committee received a report setting out the Going Concern review undertaken by management that forms the basis of the Board's going concern conclusion on page 82.

Viability

An overview of the viability process undertaken was provided to the Audit Committee and reviewed for completeness. The viability evaluation was then provided to the Board to assist in its assessment of the Company's longer-term viability in order to make the statement found on page 82.

External Auditors

The external auditor's appointment is reviewed regularly and, in accordance with the Financial Reporting Council's ('FRC') Ethical Standard, the Lead Audit Partner is rotated at least once every five years. As such, a new Lead Audit Partner for the external audit was appointed in the 2016/2017 financial year.

Governance in Action – External Auditor Tender

In line with UK and EU laws that require an auditor's maximum period as auditor to a listed company to be 20 years, with a competitive tender process required at least once every 10 years, the Company decided to put its statutory audit work out to tender in 2018 with the intention of nominating a new external auditor for the reporting period ending in 2019.

Desktop due diligence was conducted to confirm which firms would be invited to participate in the audit tender. The following factors were considered:

- Experience of auditing comparable organisations;
- Size and scale;
- Audit quality record; and
- US presence.

As part of the due diligence, the Company also sought assurance that each firm would be capable of being independent before being appointed auditor.

Based on this exercise, five firms were shortlisted for the tender and issued with audit invitation to tender letters. Given that Deloitte has been the Company's external auditor for more than 20 years, Deloitte was not invited to retender for this appointment.

The audit tender was overseen by the Audit Committee, which agreed on the objectives and desired outcomes, and approved the design of the process. The Audit Committee was assisted by a sub-committee consisting of the Chief Financial Officer, the Group Company Secretary, the Group Financial Controller and the Head of Internal Audit.

The audit tender was designed to implement a selection process which was efficient, fair and effective. The participating firms had clearly identified internal points of contact, a structured series of meetings and access to a virtual data room to download company information.

Evaluation was conducted using a standardised scorecard to assess each firm's commitment, competence and cultural compatibility. The cost of the audit was also taken into consideration, as well as the transition plan to ensure that there will be an orderly and thorough handover process from the existing auditor.

At the conclusion of the process, the Audit Committee was able to recommend a preferred choice to the Board, from two shortlisted firms. PricewaterhouseCoopers ('PwC') was recommended as the preferred choice based on audit quality, evaluation scores as well as the capabilities and competences that it was able to demonstrate throughout the tender process.

After considering the Audit Committee's recommendation, the Board approved the appointment of PwC as the Company's new external auditor commencing for the period ending 31 July 2019, subject to the approval of shareholders at the 2018 Annual General Meeting.

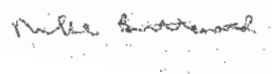
The Committee's policy for determining the level of fees for non-audit services that the external auditor can provide, which reflects the EU rules, is as follows:

- a) certain types of engagement shall not be undertaken by the external auditor, including services related to the Internal Audit function and tax;
- b) relevant ethical guidance shall be taken into account regarding any proposal to request the Group's external auditors to perform non-audit services;
- c) cumulative non-audit fees from 2019/2020 onwards are capped at 70% of the average of the audit fees for the Group for the preceding three-year period;
- d) subject to (e) below, the Board shall appoint whoever, in its opinion, will provide the most cost effective and timely service for undertaking a particular project; and
- e) the Chief Financial Officer is to consult with the Chairman of the Audit Committee in advance of any non-audit work in excess of £25,000 per project that the external auditor may be invited to perform for the Group, so that an agreed view might be taken on whether to put the project out to tender.

The Committee has satisfied itself that this policy has been appropriately applied. The split between audit and non-audit fees for the period is disclosed in note 5 to the Consolidated Financial Statements. The non-audit fees were £270,000 for the period (for reporting accountants services relating to the Group's disposals and services relating to the closure of the Group's office in Shanghai) and were not considered by the Committee to compromise the objectivity and independence of Deloitte. The Committee agreed to select Deloitte to provide these services due to their inherent knowledge of the Group.

The Committee also considered the robustness of Deloitte's safeguards and procedures to counter threats or perceived threats to their objectivity, the application of their independence policies and their adherence to the Ethical Standard published by the FRC. In all these respects the Committee was satisfied with Deloitte's objectivity and independence. The Committee is satisfied that there are no relationships between the Company and Deloitte, its employees or its affiliates that may reasonably be thought to impair the auditors' objectivity and independence. Private meetings are held with Deloitte to ensure that no restrictions are placed on the scope of their audit and to offer the external auditor opportunities to discuss any items the auditors did not wish to raise with the executives being present.

A review of the effectiveness of the external audit for the 2016/2017 year end was performed during the period which involved the completion of two questionnaires containing assertions of 'best practice' – one by each member of the Audit Committee containing 10 assertions – and another completed by the management of each subsidiary containing 15 assertions. The areas covered included: the audit team expertise and experience; the audit planning process; audit execution; communication; adding value; responsiveness; reporting; timeliness; and focus. Participants were requested to score each assertion between one and four to indicate their level of agreement or disagreement. The results were then reviewed by the Audit Committee and Chief Financial Officer and discussed with the external auditors. The completed questionnaires showed in aggregate that the external audit had achieved a clear majority of the assertions in each area of focus. Areas of improvement that had been noted were addressed at the Audit Committee meeting during the period and continued to be implemented throughout the external audit for the period.



Mike Butterworth
Chair of the Audit Committee
8 October 2018

NOMINATION COMMITTEE REPORT

The Nomination Committee's key role is to lead the process for Board appointments and make recommendations to the Board.

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to report to you on the work it undertook during the period ended 3 August 2018.

Current Membership

The Board has decided that a Nomination Committee, consisting of six serving Board Directors, is workable given the size of the Board and, indeed, desirable. All Committee members are given a voice in deciding on the method for reaching a shortlist, nominating and deciding on the selection of new members of the Board. It is important to a small board such as ours that the process of selection is right to suit the particular circumstances and that any decision made to nominate a new member of the Board is unanimous by all the Directors on the Committee. Committee members interview all candidates for appointments to Executive Director and Non-Executive Director positions.

The Board supports the increasing focus on the composition of boards and the emphasis on diversity. The Group's policy on affording equal opportunities to all employees and suitable applicants extends to the Board. Anyone appointed to the Board will however be selected on merit against objective criteria, taking into account the skills, expertise, and experience of the candidates. The Board agrees that diversity within the boardroom and within the operating businesses is important to the success of the Group and is pleased to see an increasing proportion of female members in the senior management teams across the Group. The Committee seeks to reflect this view and will continue to assess the Board make up in the forthcoming year. To this effect, a diversity policy is being implemented for the forthcoming year.

When we look outside the Group to recruit we are keen to consider candidates from all parts of the community in terms of gender, ethnicity, nationality, disability, age, sex, sexual orientation, marital or civil partner status, race, colour, religion or belief and will continue with this policy.

Our disclosure on diversity generally can be found on page 44 within the Strategic Report.

Role of the Committee

The principal role of the Committee is to consider and recommend to the Board candidates who are appropriate for Executive or Non-Executive Director roles in order to maintain an appropriate balance of skills and experience represented on the Board and ensure that the Board is appropriately refreshed.

Main Activities of the Committee in 2017/2018

During the period the Committee's main tasks were to consider the composition of the Board and Board level succession planning.

The Committee performed succession planning during the period for the Chief Executive Officer role having engaged an external agency, The Zygos Partnership, with which the Company has no other connections, to consider prospective candidates as a future successor. As part of this process, external candidates and J Schwan, founder and previous CEO of Solstice, were assessed and the Committee identified J Schwan as the most suitable successor. Following the resignation of Matt Armitage as Chief Executive Officer, the Board unanimously approved the appointment of J Schwan to the Board, as Chief Executive Officer. J had already made a considerable impact in his previous role as Group Chief Digital Officer and is believed to be best placed to lead the Company in becoming a worldwide digital business transformation group.

In considering the composition of the Board, the Committee has recognised the focus on the growth of its digital business service companies in the US as part of the Group's strategy, and concluded that the Company would benefit from the appointment of a Non-Executive Director who had extensive knowledge and experience of the US market. To this end, David Bell, who had worked extensively with Solstice as a member of their advisory board, prior to the acquisition of Solstice by the Company in March 2015, was considered by the Committee for the role of Non-Executive Director due to the valued work he had performed. David was duly appointed to the Board with effect from 4 August 2018, subject to his election at the 2018 AGM.

The makeup of the business will continue to develop through organic growth, investment in the acquired businesses and, in the longer term, future acquisitions. Any appointment to the Board involves a thorough process where talent is assessed and benchmarked against the expectations of the role and as part of this process, all members of the Committee have a one-to-one meeting with any potential candidate.

The Committee discharged its other principal duties by:

- ensuring that an appropriate review of Board, Committee and Director effectiveness was undertaken during the period;
- considering whether the Non-Executive Directors were sufficiently independent for corporate governance purposes; and
- approving the division of responsibilities between the Chairman and the Chief Executive Officer.



Richard Stillwell
Chair of the Nomination Committee

LETTER FROM CHAIR OF REMUNERATION COMMITTEE

I am pleased to present our Directors' Remuneration Report for the period ended 3 August 2018.

HELEN STEVENSON

Chair of the Remuneration Committee

At a glance: Summary for Executive Directors

Performance and remuneration for 2017/2018

- 2017/2018 annual bonus pay-out of 100% of maximum
- 2015 LTIP award vesting 0%

Implementation for 2018/2019

- New Chief Executive Officer salary of £400,000, as per outgoing CEO's salary, 8.7% salary increase for Chief Financial Officer
- Bonus of up to 100% salary, based 75% on Adjusted PBT and 25% on strategic/personal objectives
- LTIP vesting 70% on Absolute TSR, 15% on growth in Adjusted revenue and 15% on growth in Adjusted PBT
- LTIP grants at 100% of salary
- LTIP vesting underpinned by Committee discretion
- LTIP holding period of two years post vesting

The Remuneration Committee's key role is to set the broad policy for remunerating the Executive Directors and recommend a remuneration policy which supports the creation of value for shareholders and the delivery of the Group's strategic priorities. The Committee is mindful of the intense scrutiny around executive remuneration and seeks to adopt best practice where appropriate taking into account its position in the small cap sector.

Dear Shareholder

On behalf of the Remuneration Committee ('the Committee'), I am pleased to present the Directors' Remuneration Report for the period ended 3 August 2018 covering the remuneration of Executive and Non-Executive Directors.

This report is split into three parts: this Annual Statement, a Policy Report and an Annual Report on Remuneration. The Committee considers that the policy approved by shareholders at the 2017 AGM remains fit for purpose and accordingly is not proposing any changes this year. This report contains an abbreviated Policy Report to give context to decisions taken by the Committee during the year, with the full Policy Report, as approved by shareholders, available in our Annual Report and Accounts 2017 on the Company's website. As required by legislation, we will be submitting this year's Annual Report on Remuneration to an advisory vote at the Annual General Meeting on 29 November 2018.

Approval of Remuneration Policy

As detailed in last year's report, the Committee submitted a revised remuneration policy to shareholders at the 2017 AGM. Reflecting the Committee's view that the policy remains appropriate for Kin + Carta at this time, you will recall that we proposed only minor amendments; namely introducing a two-year holding period for vested long-term incentive awards and allowing greater flexibility to vary the performance measures for LTIP future cycles. The Committee was very pleased that 99.62% of shareholders voted in favour of the relevant resolution.

Changes in Leadership

We announced to the market on 27 June 2018 that our Chief Executive Officer, Matt Armitage, had informed the Board of his intention to retire from the Board at the end of the 2017/2018 financial year. Effective 4 August 2018, Matt stepped down as a Board Director but will remain in employment with the Group as a special adviser for 12 months, until 31 July 2019, to assist with the leadership transition. Details of the remuneration arrangements relating to Matt's retirement from the Group are included on page 76.

Matt is succeeded as Chief Executive Officer by J Schwan, an internal promotee who has served most recently as the Group's Chief Digital Officer. J's remuneration arrangements for 2018/2019 are detailed on pages 76 to 77; however in summary he will receive an annual salary of £400,000, a pension contribution of 15% of salary, and will be eligible to participate in the Group's annual bonus and LTIP on the same basis as his predecessor.

LETTER FROM CHAIR OF REMUNERATION COMMITTEE continued

Performance and Reward for 2017/2018

The strategy to dispose of the legacy print businesses was successfully completed during the period and we are now solely a digital transformation business (previously referred to as strategic marketing). We see exciting opportunities for growth as we continue to expand our operations in multiple markets.

Targets for Executive Directors' 2017/2018 bonuses were based 75% on Adjusted PBT and 25% on strategic/personal objectives. The Adjusted PBT target was revised to take into account the disposal of the legacy print businesses during the year. Further details of the revisions to the target are disclosed on page 72. Adjusted PBT from continuing operations increased by 38.1% in the 2017/2018 financial year and therefore the PBT target was achieved in full. The strategic and personal objectives were also achieved in full and are disclosed on page 72. In line with the Remuneration Policy, any bonus award in excess of 50% of basic salary will be deferred in Company shares for a two-year holding period. A summary of actual performance against the targets set is included on page 72.

The Annual Report on Remuneration also gives details of LTIP awards granted in November 2015. The Company's 2017/2018 Adjusted basic EPS performance, which acts both as a primary performance condition and as an underpin to the Relative Total Shareholder Return and proportion of operating profit from Strategic Marketing elements, did not meet the relevant targets and the awards will therefore lapse. Further details are provided on page 73.

Implementation of Remuneration Policy for 2018/2019


As detailed above, J Schwan was appointed Chief Executive Officer on an annual salary of £400,000, in line with his predecessor. In respect of the Chief Financial Officer, the Committee approved a 8.7% increase effective 4 August 2018, bringing his annual salary to £250,000. In determining this increase the Committee was mindful of Brad's exceptional contribution to the disposals made in 2017/2018 and of the need for a period of stability at Board level following the retirement of the Chief Executive Officer. The increase equates to 2.7% per annum since Brad's salary was last increased in August 2015 which is below the average level of increases made to the broader employee population over the same period.

The annual bonus will operate on a similar basis as in 2017/2018. Maximum bonus opportunities remain at 100% of salary, with any amount earned over 50% of salary continuing to be deferred in shares for two years and subject to malus provisions. Reflecting the impact of shares issuance to fund acquisition related earn-out payments, 75% of the bonus will continue to be based on Adjusted PBT, with the remaining 25% based on the achievement of key strategic/personal objectives. The Committee would reiterate its intention that the use of Adjusted PBT is a temporary change and that we expect to revert to EPS over the longer term.

LTIP grant sizes will be 100% of salary. Vesting will be subject to stretching targets, underpinned by Committee discretion. The LTIP will operate on a similar basis as in 2017/2018 with 70% of the award based on Absolute TSR. The remaining 30% of the award will be split equally between growth in Adjusted revenue and growth in Adjusted PBT. The Committee considers that adding a revenue measure will help reinforce the Group's growth strategy. As before, LTIP awards are subject to a two-year holding period after vesting.

Further details of the implementation of our Remuneration Policy for 2018/2019 are provided on page 76.

We continue to value any feedback from shareholders and hope to receive your support at the forthcoming AGM.



Helen Stevenson

Chair of the Remuneration Committee
8 October 2018

DIRECTORS' REMUNERATION REPORT

This Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report is also in accordance with the requirements of the Listing Rules and the relevant recommendations contained within the UK Corporate Governance Code (April 2016) ('the Code') relating to Directors' remuneration and takes into account the views of our major shareholders. The legislation requires the auditors to report to the Company's members on certain disclosures contained in this report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 2006. The sections, between pages 63 and 80, which are subject to audit, have been highlighted.

Policy Report

Summary of Directors' Remuneration Policy

Kin + Carta's remuneration policy was approved by shareholders at the Annual General Meeting on 30 November 2017, and took effect from that date. We publish below an abbreviated version of the policy, updated as necessary, to give context to decisions taken by the Committee during the year. The full policy report, as approved by shareholders, can be found in the Annual Report and Accounts 2017 available on the Company's website.

Basic salary

Purpose and link to strategy	To provide competitive fixed remuneration that will attract and retain key employees of a high calibre and which reflects their experience and position in the Company.
Operation	<p>Normally reviewed annually with increases effective from 1 August; salaries are paid monthly.</p> <p>In setting salaries, the Committee takes into account the following:</p> <ul style="list-style-type: none"> • capability of the individual; • any changes in responsibility; • increases awarded across the workforce; • external economic factors such as inflation; and • benchmarking for similar roles in comparable organisations.
Maximum potential value	<p>Executive Directors' salaries effective 4 August 2018 are as follows:</p> <p>Chief Executive Officer, J Schwan: £400,000 p.a.; and</p> <p>Chief Financial Officer, Brad Gray: £250,000 p.a.</p> <p>No monetary maximum has been set, although increases are generally in line with the range (in percentage of salary terms) awarded across the Group.</p> <p>In accordance with normal practice at all levels in all parts of the Group, increases above this level (in percentage of salary terms) may be made in certain circumstances such as where there is a change in responsibility or a significant increase in the scale of the role or size and complexity of the Group.</p>
Performance metrics	Not applicable.

DIRECTORS' REMUNERATION REPORT continued

Benefits

Purpose and link to strategy	To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives.
Operation	<p>Benefits generally include provision of a car, or cash in lieu of car and fuel allowance, and private medical and life assurance cover.</p> <p>The Committee may introduce other ancillary benefits which are on similar terms to those offered to the wider workforce or required in order to remain market competitive.</p> <p>Overseas recruitment or an international assignment may require the benefits package to be more tailored and may include, for example, relocation costs, tax equalisation arrangements, etc., as necessary.</p>
Maximum potential value	<p>The maximum annual car and fuel allowance is £15,520.</p> <p>The maximum overall cost of total benefit provision (including but not limited to annual car and fuel allowance) may vary each year subject to changes in the Company's insurance premiums or changes to the terms of the benefits provided.</p> <p>The values for the year under review, expressed as a cost to the Company of providing the benefits, are described in the Directors' single figure table on page 71.</p>
Performance metrics	Not applicable.

Pension

Purpose and link to strategy	To provide market competitive, yet cost-effective benefits.
Operation	<p>Only basic salary is pensionable.</p> <p>A Company contribution to a defined contribution pension scheme, a personal pension or provision of a cash payment in lieu of a pension contribution (or combination of such) may be provided at the discretion of the Committee.</p>
Maximum potential value	Up to 15% of salary.
Performance metrics	Not applicable.

Annual bonus

Purpose and link to strategy	Incentivises achievement of annual objectives which support the short-term performance goals of the Company.
Operation	<p>At the start of each year the Committee determines the choice of annual bonus measures and targets to ensure they reflect the KPIs of the business at that time.</p> <p>Payments under the annual bonus plan are subject to:</p> <ul style="list-style-type: none"> • compulsory payment of any bonus earned over 50% of salary (on an after tax basis) in the Company's shares under the Company Deferred Bonus Shares ('DBS') arrangement which are subject to a holding period of two years; and • the element of the annual bonus paid in shares is subject to malus provisions in the event of a material misstatement of the Company's financial position. <p>Deferred shares will generally be forfeited if a Director leaves the Group (unless in certain good leaver situations or if the Committee determines otherwise).</p> <p>Dividends and/or dividend equivalents are payable on the deferred bonus shares during the two-year holding period.</p>
Maximum potential value	100% of basic salary.
Performance metrics	<p>Performance is measured over one financial year.</p> <p>Bonus awards are subject to achievement against a sliding scale of challenging financial targets and may also be subject to challenging strategic/personal objectives.</p> <p>The majority of any bonus will be earned for achieving challenging financial targets aligned with the Company's key performance indicators (e.g. Adjusted PBT or EPS). A minority may be subject to achieving pre-set strategic/personal objectives which reflect the key priorities of the role at the time.</p> <p>Bonuses become payable once a threshold level of performance is achieved against the target(s) which triggers a bonus payment of up to 25% of salary, rising to 100% of salary for meeting (or exceeding) the maximum target(s) set. Measurement of financial metrics is made on the basis of audited figures. Where strategic/personal targets are set it may not always be practicable to set these using a sliding scale.</p> <p>Page 77 of the Annual Report on Remuneration provides details of the performance measures and weightings to apply for the year ended 31 July 2019.</p>

DIRECTORS' REMUNERATION REPORT *continued*

Long-Term Incentives

Purpose and link to strategy	<p>Incentivises executives to achieve superior financial growth and returns to shareholders over the longer term.</p> <p>Provides alignment with shareholders through awards of shares.</p> <p>Promotes retention of key individuals.</p>
Operation	<p>The Long-Term Incentive Plan ('LTIP') was approved by shareholders in 2010.</p> <p>Awards can be in the form of an option, a conditional award or a forfeitable award.</p> <p>Eligibility to receive awards is at the discretion of the Committee each year.</p> <p>An LTIP award may be made shortly after an appointment (subject to the Company not being in a prohibited period) subject to the permitted maximum.</p> <p>Awards are normally made on an annual basis and vest three years from grant subject to continued employment and the satisfaction of challenging three-year performance targets.</p> <p>A two-year holding period following LTIP vesting applies to grants from 2017/2018 onwards to Executive Directors. In total, this results in a five-year combined vesting and holding period.</p> <p>The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures.</p> <p>Participants benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards are exercised.</p> <p>All Awards granted after November 2013 are subject to a malus provision and clawback for two years after vesting, in the event of a material misstatement of the Company's financial position.</p>
Maximum potential value	<p>Awards with a face value of up to 125% of basic salary (or 200% if the Committee believes there are exceptional circumstances) can be made on an annual basis.</p> <p>The Company operates within a 10% in ten years ABI (new share issue) dilution limit.</p>
Performance metrics	<p>Performance is measured over a three-year period.</p> <p>Performance measures, weightings and targets are determined by the Committee in advance of grant to support Company strategy and provide shareholder alignment. The majority of LTIP awards will continue to be linked to financial and/or TSR performance.</p> <p>Under each measure, threshold performance will result in 25% of maximum vesting for that element (0% vests below this), increasing pro-rata to 100% for maximum performance.</p> <p>Where TSR performance conditions are set, performance against the condition is monitored independently on the Committee's behalf and where financial targets are set performance against the condition is tested based on numbers derived from the audited financial statements.</p> <p>LTIP vesting is underpinned by Committee discretion such that for any shares to vest, the Committee must be satisfied with the underlying performance of the business. In making this assessment the Committee will take into account factors such as the strength of the balance sheet, quality of earnings, etc.</p> <p>Page 77 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 31 July 2019.</p>

All-employee share schemes

Purpose and link to strategy	Encourages long-term shareholding in the Company.
Operation	<p>Invitations made by the Committee under the HMRC Approved Sharesave Scheme.</p> <p>Executive Directors may participate in a monthly savings contract on the same terms as other employees of the Group.</p>
Maximum potential value	As per HMRC limits (e.g. current maximum monthly savings towards share purchases is limited to £500 per calendar month).
Performance metrics	Not applicable.

Share ownership guidelines

Purpose and link to strategy	To provide alignment between executives and shareholders.
Operation	<p>The Committee operates shareholding guidelines of 200% of salary for the Chief Executive Officer and 150% of salary for other Executive Directors.</p> <p>The net of tax number of deferred bonus shares or vested shares under the Company's LTIP will normally be required to be retained until the guideline is met.</p> <p>The Committee may take account of progress towards this target when determining LTIP awards.</p>
Maximum potential value	Not applicable.
Performance metrics	Not applicable.

Notes to the Policy Table

- While the remuneration policy for Executive Directors is designed having had regard to the policy for employees across the Group as a whole, there are some differences in the structure for senior employees which the Committee believes to be necessary to reflect the different levels of responsibility within the Company. The following key differences exist between the Company's policy for the remuneration of Executive Directors and its approach to the payment of employees generally:
 - there is an increased emphasis on performance related pay and, in particular, for share-based incentives at the Executive Director level;
 - eligibility to participate in and the maximum opportunity in relation to an annual bonus vary, based on individual role and local practice;
 - participation in the LTIP is limited to the Executive Directors and certain selected senior managers; and
 - benefits offered to other employees vary by subsidiary to take account of relevant market conditions and local practice.
- The choice of the performance metrics and range of targets applicable to the annual bonus plan for Executive Directors reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of robust performance relating to the Group's financial key performance indicators and, where appropriate, specific individual objectives. Performance metrics applicable to the LTIP are selected to support Company strategy and provide shareholder alignment. Awards made in 2017/2018 and 2018/2019 vest subject to stretching targets. The 2017/2018 award vests subject to targets relating to Absolute TSR and growth in Adjusted operating profit from continuing operations and the 2018/2019 award vests subject to targets relating to Absolute TSR, Adjusted revenue and Adjusted PBT. Targets applying to the annual bonus and LTIP are reviewed annually, based on a range of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.
- The share ownership guideline levels are detailed above. The shares that an Executive Director may count towards the shareholding guideline include: those held in the name of the Director; those held in the name of the Director's spouse, partner or children; any shares held in a family trust for the benefit of the Director and/or his/her spouse, partner or children; and any shares held in a personal pension plan on behalf of the Director. The Committee may, in its absolute discretion, approve the holding of shares by alternate means (e.g. shares held under a deferred share bonus award) and, if permitted, on such terms determined by the Committee, acting fairly and reasonably.
- For the avoidance of doubt, in approving this Director's remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards) that have been disclosed to and approved by shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.
- The Committee operates the annual bonus, LTIP and Sharesave plans, in accordance with their rules, HMRC guidance and, where relevant, the Listing Rules. To ensure these incentive plans operate in an efficient manner, the Committee retains a number of standard market practice discretions which include:
 - determining the eligibility to participate in the plans;
 - determining the timing of grant of awards and any payments;
 - the size of awards and payments, although with quantum restricted to those detailed in the table above and the respective plan rules;
 - the determination of whether the performance conditions have been met and the resulting vesting/pay out;
 - dealing with a change of control (for example, the timing of testing performance targets) or restructuring of the Group;
 - determining a good or bad leaver for incentive plan purposes, based on the rules of each plan and the appropriate treatment chosen;
 - adjustments required in certain capital events such as rights issues, corporate restructuring, events and special dividends; and
 - the annual review of performance conditions for the annual bonus plan and LTIP.

In some circumstances, such as a material acquisition/divestment of a Group business, or a change in Accounting Standards and Interpretations, which mean the original performance conditions are no longer appropriate, the Committee can adjust the targets, set different measures and alter weightings as necessary, to ensure the conditions achieve their original purpose and are not materially less difficult to satisfy.

DIRECTORS' REMUNERATION REPORT continued

Approach to recruitment and promotions

Basic salary levels will be set on appointment after having had due regard to the Company's general remuneration policy but adjusted, as appropriate, to reflect the experience and calibre of the individual and the market rates for similar roles in comparable organisations. If it is considered appropriate to appoint a new Director on a below market salary (e.g. in the event of an internal promotion), they may be the subject of a series of increases to a desired salary positioning over an appropriate time frame, subject to performance in post.

Should it be appropriate to recruit an executive from overseas or for the individual to relocate, then reasonable expenses and payments may be paid in relation to such a relocation which would then be subject to disclosure in due course. Benefits and pension arrangements would generally be in line with those offered to current executives but it may be necessary to tailor these to reflect for example, local market norms, local legislation, etc.

The annual bonus maximum will be in line with current Executive Directors (i.e. 100% of basic salary), pro-rated for the period of service. Depending on the timing of the appointment the Committee may use different performance measures, targets and weightings to that of the current executives for the first year of service.

An LTIP award may be made shortly after an appointment (subject to the Company not being in a prohibited period) subject to the permitted maximum. The total maximum variable remuneration that may be awarded in respect of recruitment is 300% of salary (excluding buy-out awards referred to below).

The Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. The Committee would seek to ensure, where possible, that these awards replicate the potential value forfeited/lost in joining the Company, and in terms of time horizons, vesting periods, expected values and potential impact of performance conditions, these factors are recognised in determining the quantum of such compensation. This award would be facilitated under the existing incentive plans where possible, but also using Rule 9.4.2. of the Listing Rules if necessary.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

Service contracts and loss of office payments

It is the Company's policy that Executive Directors should serve under rolling service contracts of 12 months' duration or less and that there should be no special provisions for compensation in the event of termination (neither in the normal course nor following a change in control of the Company) and that any compensation payments made should take account of the Director's duty to mitigate his loss. The Executive Directors' current service contracts all comply with this policy.

The Remuneration Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

In summary, the contractual provisions are as follows:

Provision detailed terms

Notice period:	Up to 12 months
Termination payment:	Limited to a maximum of basic salary and benefits, paid monthly and subject to mitigation
Change of control:	No Executive Director's contract contains additional provisions in respect of a change of control

The service contract for any new appointment would be made on similar terms to those described above.

In a leaver event, the following payments may also be made to departing Executive Directors:

1. Any share-based entitlements granted to an Executive Director under a Company share plan will be determined based on the relevant plan rules. In certain prescribed circumstances, however, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, a 'good leaver' status may be applied. Under the LTIP, for good leavers, future awards will normally be tested for performance over the full performance period and be reduced pro-rata to reflect the proportion of the performance period actually served, rounded-up to the next complete financial year, with Remuneration Committee discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating. Vested LTIP awards which are subject to an additional holding period will typically be retained and released at the end of the holding period, with Committee discretion to treat otherwise. Under the DBS, in certain prescribed circumstances, awards will be retained in connection with a leaver event (such as death or permanent disability or any other reason permitted by the Remuneration Committee);
2. A pro-rata bonus may be payable for the period of active service in certain prescribed good leaver circumstances and in other circumstances at the discretion of the Committee and subject to the achievement of the relevant performance targets;

3. At the discretion of the Remuneration Committee, a contribution to reasonable outplacement costs in the event of termination of employment due to redundancy. The Committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment; and
4. Any payment for statutory entitlements or to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary.

Chairman and Non-Executive Directors

The following sets out the fee policy for the Chairman and Non-Executive Directors:

Purpose and link to strategy	To attract and retain high calibre individuals without prejudice to the application of independent views.
Operation	<p>Non-Executive Directors' remuneration is decided by the Executive Directors and the Chairman; the Chairman's fee is set separately by the Committee.</p> <p>Fees are set periodically by taking account of the time required to fulfil the role and fees payable at similar sized companies. Any increases in fees also take account of any increases payable to Executive Directors and to the general workforce.</p> <p>Non-Executive Directors may not participate in the Group's cash or share-based incentive arrangements.</p> <p>Non-Executive Directors also receive reimbursement of travel and office related expenses.</p>
Maximum potential value	<p>For 2018/2019, the fees comprise a base fee of £42,500 p.a. plus additional fees of £5,000 p.a. for the Senior Independent Director position and £7,500 p.a. for chairing the Remuneration or Audit Committees. The Chairman's fee is set at £130,000 p.a.</p> <p>These fees may be revised periodically in line with the Company's policy. Given the periodic nature of the review any increases (as a % of total fees) may be greater than that awarded to the wider workforce in any particular year.</p> <p>The maximum aggregate fees are set in accordance with the Company's articles of association.</p>
Performance metrics	Not applicable.

DIRECTORS' REMUNERATION REPORT *continued*

Annual Report on Remuneration

The following section provides details of how Kin + Carta's remuneration policy was implemented during 2017/2018 and how we intend to implement the remuneration policy for 2018/2019.

Membership of the Committee

Mike Butterworth, Nigel Pocklington and Helen Stevenson, all independent Non-Executive Directors, served on the Committee throughout the period. Ben Gordon served on the Committee until his resignation from the Board on 30 November 2017. Helen Stevenson chaired the Committee throughout the period. The number of meetings held, attendances and a description of the principal matters considered by the Committee in carrying out its duties during the period are described on pages 52 and 70.

During the period under review, the Committee, where appropriate, sought advice and assistance from the Company Secretary and members of the Board, including the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer in connection with carrying out its duties. None of these persons took part in decisions relating specifically to their own remuneration.

Role of the Committee

The Committee is responsible for determining and agreeing with the Board the overall remuneration policy and its implementation, including setting the individual remuneration packages and contractual arrangements for the Executive Directors, senior management and the Chairman of the Board, which support the creation of value for shareholders and the delivery of the Group's strategic priorities.

The Committee is mindful of the intense scrutiny around executive remuneration and seeks to keep abreast of and adopt best practice where appropriate taking into account its position in the FTSE.

When undertaking its duties, the Committee also ensures that due account is taken of pay and employment conditions throughout the Group by keeping abreast of matters such as (i) the general level of salary increases (if any) applied throughout the Group; (ii) the levels of bonuses paid (and bonus opportunity offered) to the workforce as a whole; and (iii) any widespread changes that are proposed to Group-wide employment conditions.

The full terms of reference for the Committee are available on the Company's investor website (www.investors.kinandcarta.com).

Committee's advisers

During the period, the Committee retained Mercer | Kepler, part of the MMC group of companies, as an independent adviser to the Committee. They were selected following a formal tender process conducted in 2015. Mercer | Kepler is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consulting Group's website at www.remunerationconsultantsgroup.com.

During the period, one of MMC's other companies, Marsh Inc., acted as the Company's insurance broker. The fees paid to Mercer | Kepler in relation to advice provided to the Committee for 2017/2018 were £40,370 (2016/2017 – £49,675), on a time and materials basis.

The Committee has reviewed the advice provided by Mercer | Kepler during the year and is satisfied that it has been objective and independent. The terms of engagement between the Company and Mercer | Kepler are available from the Company Secretary upon request.

Summary of activities

During the year the Committee approved:

- outcomes of bonuses for the Executive Directors in respect of 2016/2017;
- the Directors' Remuneration Report for 2016/2017;
- the Executive Directors' salaries and pension provision for 2018/2019;
- the Chairman's fees for 2018/2019;
- the grant of awards on 7 December 2017 under the Company's 2010 LTIP Plan to certain senior managers and the performance conditions attached to their vesting;
- the remuneration arrangements for J Schwan on his promotion to Chief Executive Officer; and
- the remuneration arrangements and treatment of outstanding incentives for Matt Armitage on his retirement from the Group.

Summary of shareholder voting at the AGM in December 2017

The following table shows the results of the binding vote on the remuneration policy and the advisory vote on the 2016/2017 Remuneration Report at the AGM in November 2017:

Resolution	Votes for (note 1)	% for (note 1)	Votes against	% against	Total votes cast	Votes withheld
Remuneration Policy	96,592,072	99.62%	371,760	0.38%	96,963,832	960,595
Remuneration Report	97,803,784	99.89%	109,743	0.11 %	97,913,527	10,900

Note 1: Includes 'Discretionary' votes.

Remuneration Payable to Directors for the Year Ended 3 August 2018

Directors' single figure table (audited)

Set out below, in a single figure, is the total remuneration of all Directors for the financial year:

	Basic salary/fee 2018 £'000	Basic salary/fee 2017 £'000	Taxable benefits (note 1) 2018 £'000	Taxable benefits (note 1) 2017 £'000	Bonus 2018 £'000	Bonus 2017 £'000	Share plans vesting (note 2) 2018 £'000	Share plans vesting (note 2) 2017 £'000	Pension benefits (note 3) 2018 £'000	Pension benefits (note 3) 2017 £'000	Total 2018 £'000	Total 2017 £'000
Executive												
Matt Armitage	400.0	400.0	18.6	18.2	400.0	-	-	-	60.0	60.0	878.6	478.2
Brad Gray	230.0	230.0	14.2	14.0	230.0	-	-	-	34.5	34.5	508.7	278.5
Non-Executive												
Mike Butterworth	55.0	55.0	-	-	-	-	-	-	-	-	55.0	55.0
Ben Gordon (note 4)	14.2	42.5	-	-	-	-	-	-	-	-	14.2	42.5
Nigel Pocklington	42.5	42.5	-	-	-	-	-	-	-	-	42.5	42.5
Helen Stevenson	50.0	50.0	-	-	-	-	-	-	-	-	50.0	50.0
Richard Stillwell (note 5)	110.0	110.0	-	-	-	-	-	-	-	-	110.0	110.0

Notes:

- Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit and medical expenses insurance cover.
- Figures for 'share plans vesting' are based on the number of shares vesting for performance periods substantially completed as at year end. The 2015 LTIP award will lapse in full in November 2018. See page 73 for details.
- Pension benefits were in part paid into a Group Personal Pension Plan and part paid as a cash supplement for Matt Armitage and Brad Gray. Brad Gray participated in the Group's Defined Benefits Pension Scheme (the 'Scheme') until it was discontinued on 1 September 2008. Brad Gray's entitlement to a deferred pension from the Scheme ceased on the payment out of the scheme on 20 December 2016 to a self-managed pension arrangement. The transferred sum of £1.2 million was calculated by the Scheme's actuary after applying a reduction factor agreed by the Trustee and applying generally such calculations to take account of the underfunded position of the Scheme.
- Ben Gordon stepped down from the Board following the AGM on 30 November 2017.
- Richard Stillwell has elected to forego £20,000 per annum of his fee of £130,000 per annum. Richard Stillwell's fees are shown above after foregoing this proportion of his fees during 2017/2018. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.

DIRECTORS' REMUNERATION REPORT continued

Incentive Outcomes for the Period Ended 3 August 2018 (Audited)

Annual bonus

Executive Directors' bonuses for the year ended 3 August 2018 provided for a payment of up to 100% of salary based 75% on Adjusted PBT performance over the financial year and 25% on personal/strategic objectives. Details of performance against the financial targets set are provided below:

Financial measure	Threshold (0% of salary)	Target (37.5% of salary)	Stretch (75% of salary)	Actual performance	% of salary earned
Adjusted PBT	£14.4m	£15.4m	£16.4m	£18.471m	100%

Note: The percentage of bonus earned between: the threshold and target; and the target and stretch, is on a straight-line basis.

The above targets have been adjusted from those set at the start of the period to reflect the disposals undertaken during 2017/2018. In summary, the original targets have been:

- reduced to exclude the budgeted PBT from the Marketing Activation and Books segments when the targets were first set; and
- increased to reflect interest on net cash received from the disposals and from a reduction in outstanding term loans.

In making such adjustments, the Committee's overarching principle was that the targets should be of equivalent difficulty to those originally set in order to ensure fairness to participants and shareholders alike. The outcome – full vesting under the Adjusted PBT measure – is considered appropriate by the Committee taking into account broader financial and operational performance over the year, including a 79.4% increase in the Kin + Carta share price.

In addition to the above, each Executive Director may earn up to 25% of salary for the achievement of stretching strategic/personal objectives, which for 2017/2018 related to strengthening of the Company's balance sheet and the restructuring of the Strategic Marketing businesses. Both Executive Directors were assessed as having achieved their objectives in full, with the Committee noting in particular:

- Executive Directors achieved the successful sale of the Marketing Activation businesses in two tranches based on an enterprise value of £17.0 million, and the successful sale of the legacy Books business, Clays, based on an enterprise value of £23.8 million. In both cases the consideration achieved met the Board expectations. The sales completed the strategic transformation of the Group into a business focused on higher growth, higher margin digital transformation businesses (previously referred to as strategic marketing); and
- Executive Directors successfully oversaw a number of strategic restructurings in the digital transformation businesses within the agreed timeframe. These included bringing Amaze and Realise together to form AmazeRealise; the combination of Response One, Amaze One, Branded3 and Occam to form a new business, Edit, in March 2018 and more recently the integration of Pragma and FSP. These restructurings offer improved operational efficiency, a stronger brand proposition and facilitate cost savings.

Based on these achievements, the Committee has agreed to award the Executive Directors annual bonuses equivalent to 100% of salary in respect of 2017/2018, of which amounts over 50% of salary will be deferred in Company shares in line with the remuneration policy.

2014 LTIP

As reported last year, 2016/2017 Adjusted EPS performance was below threshold against targets set for 2014 LTIP awards and accordingly this element lapsed in November 2017. Relative TSR performance would have been assessed over a three-year period to 28 July 2017; however since the EPS underpin applying to this element of the awards was also not met, the full award lapsed in November 2017. Accordingly, the value of 2014 LTIP awards vesting included in the single figure table on page 71 for 2017 is £Nil.

2015 LTIP

Vesting of the 2015 LTIP awards is dependent on performance against three metrics measured over a three-year period; Adjusted EPS, TSR relative to the FTSE All-Share Media sector (excluding FTSE 100 companies) and the proportion of Group operating profit from the Strategic Marketing businesses. Further details, including vesting schedules and performance against each of the metrics are provided in the table below:

Measure	Weighting	Targets*	Outcome	Vesting %
Adjusted EPS in 2017/2018	25%	0% vesting below 22.23p 25% vesting for 22.23p 100% vesting for 25.23p or more Straight-line vesting between these points	10.10p	0%
TSR relative to the All-Share Media sector (excl. FTSE 100 companies)	50%	0% vesting below median performance 25% vesting for performance in line with median 100% vesting for upper quartile performance or greater Straight-line vesting between these points	EPS underpin not met	0%
Operating profit from Strategic Marketing as compared to total Group operating profit in 2017/2018	25%	0% vesting below 55% 25% vesting for 55% 100% vesting for 65% or greater Straight-line vesting between these points	EPS underpin not met	0%
Total vesting				0%

* The Committee assessed the impact of restating the EPS target and underpin for the TSR and operating profit targets to take into account the disposals during the year. However the EPS target and underpin were still not met and accordingly the award will lapse in full in November 2018.

Summary of long-term incentives vesting in November 2018 (audited)

The total number of shares which vested in relation to the performance period substantially completed as at the period end, and which are reflected in the single figure table on page 71, is as follows:

	Date of grant	Total number of shares	% shares vesting for performance (note 1)	Number of awards vesting	Share price on vesting (pence)	Total value on vesting (£)	Transfer of award/earliest vesting date
Matt Armitage	12 Nov 2015	216,567	0%	0	n/a	0	12 Nov 2018
Brad Gray	12 Nov 2015	155,657	0%	0	n/a	0	12 Nov 2018

Note: EPS underpin in respect of 2015 awards was not met and accordingly all shares will lapse in November 2018.

DIRECTORS' REMUNERATION REPORT continued

Scheme interests awarded during the 2017/2018 financial year (audited)

In December 2017, Matt Armitage and Brad Gray were granted awards, which are structured as options with a nil exercise price, under the Company's LTIP, as follows:

	Date of grant	Shares over which awards granted	Value of shares awarded (£)*	% of salary awarded
Matt Armitage	7 Dec 2017	454,832	£360,000	90%
Brad Gray	7 Dec 2017	261,528	£207,000	90%

* Face value is based on a share price of 79.2 pence (the market value at the time of grant).

As disclosed in last year's report and consistent with the approach taken for 2016/2017 awards, LTIP grant sizes for 2017/2018 were made at 90% of salary, rather than the normal 100% of salary level, to reflect Kin + Carta's lower share price at the date of grant. Awards granted vest on absolute TSR and the growth in Adjusted operating profit from the Strategic Marketing businesses, each measured over three years and with overall vesting underpinned by Committee discretion. Vested shares will be subject to a two-year holding period.

A summary of the performance conditions is shown in the table below:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR (share price plus rolled up dividends)	70%	0% vesting below 110p 25% vesting for 110p 100% vesting for 170p or more Straight-line vesting between these points	Three-month average to 31 July 2020
Growth in Adjusted operating profit from Strategic Marketing	30%	0% vesting below 6% 25% vesting for 6% 100% vesting for 14% or greater Straight-line vesting between these points	Adjusted operating profit from Strategic Marketing in 2019/2020 as compared to 2016/2017
Vesting of awards is subject to overall Committee discretion			

All awards made since November 2013 are subject to a malus and clawback provision, which will enable the Committee to reclaim value that should not have been received in the event that, if within the two-year period following the year of vesting, a material misstatement of the Company's financial results relating to the year of vesting is identified. In such circumstances a clawback would be based on the extent to which the first vesting was overpaid based on new information.

Statement of change in remuneration of Chief Executive Officer compared with other employees

	Chief Executive Officer 2018 £'000	Percentage change vs 2017 (note 1)	All employees percentage change vs 2017 (note 2)
Salary	400	0%	3.1%
Benefits in kind	18.6	2.2%	2.8%
Annual bonus	400	-	369%

Notes:

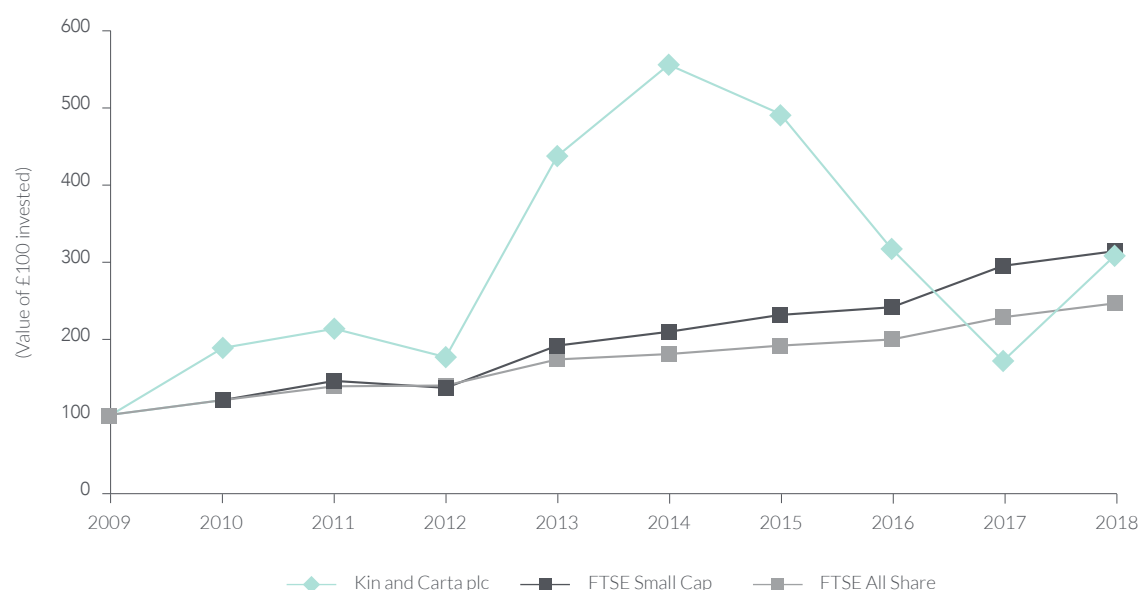
1. The annual bonus percentage change for the Chief Executive Officer is not meaningful since no bonus was paid in 2017.

2. Reflects the change in average pay for Group Head Office employees employed in both 2016/2017 and 2017/2018. This subset of employees is felt to be the most appropriate comparator to the Chief Executive as they have a similar remuneration structure.

Review of past performance

The chart below illustrates the Company's Total Shareholder Return for the nine years ended 3 August 2018, relative to the performance of the FTSE Small Cap Index and FTSE All Share Index. Both the FTSE Small Cap and the FTSE All Share represent broad equity indices of which the Company has been a constituent member for the majority of the period shown and therefore have been selected as comparators for this reason.

Source: DataStream



The table below details the Chief Executive Officer's single figure of remuneration over the same nine-year period:

	2010 Patrick Martell	2011 Patrick Martell	2012 Patrick Martell	2013 Patrick Martell	2014 Patrick Martell	2015 Matt Armitage	2016 Matt Armitage	2017 Matt Armitage	2018 Matt Armitage
Total remuneration £'000	725.3	802.0	1,246.6	1,335.0	1,648.4	1,133.5	477.8	478.2	878.6
Annual bonus as a percentage of maximum	100.0	100.0	100.0	96.3	100.0	69.7	Nil	Nil	100
LTIP vesting as a percentage of maximum	Nil	Nil	100.0	93.9	98.5	100.0	Nil	Nil	Nil

Relative importance of spend on pay

This table shows overall expenditure on pay, excluding employer's NICs, for all employees; shareholder distributions (payments of dividends); and capital expenditure, with the percentage change in each.

	2018 £'000	2017 £'000	Percentage change
Overall expenditure on pay on continuing operations	131,100	110,085 (note)	19.1%
Dividends paid in the year	2,784	8,705	-68.0%
Cash capital expenditure	4,574	3,465	32.0%

Note: the 2017 amount is restated to exclude discontinued operations.

DIRECTORS' REMUNERATION REPORT continued

Leaver arrangements for Matt Armitage (audited)

Matt Armitage informed the Board of his intention to retire from the Group at the end of the 2017/2018 financial year and stepped down as a Board Director effective 4 August 2018. He will remain in employment with the Group as a special adviser for 12 months, until 31 July 2019, to assist with the leadership transition, provide support and advice, and assist with growth initiatives and matters that may arise relating to the recently disposed printing businesses. During which time he will receive base salary, pension contributions and benefits. His outstanding incentives will be treated in accordance with the remuneration policy as follows:

Annual bonus

- Having served in the role of Chief Executive Officer for the entire financial year, Matt will be paid an annual bonus in respect of 2017/2018 amounting to £400,000, with the amount in excess of 50% of salary deferred in Kin + Carta shares for two years.
- Matt will not be eligible to participate in the 2018/2019 annual bonus.

LTIP

- As he remains an employee at the vesting date later this year, Matt retains his 2015 LTIP awards. However since the performance targets were not met, the award will lapse in full in November 2018.
- Other outstanding awards under the 2016 LTIP (280,920 performance-vesting shares) and 2017 LTIP (454,832 performance-vesting shares) will lapse in full at the end of the 2018/2019 financial year.

Exit payments made in the year (audited)

No exit payments were made in the year.

Payments to past Directors (audited)

No payments to past Directors were made in the year.

Implementation of Executive Director Remuneration Policy for 2018/2019

Basic salary

In line with his predecessor, J Schwan was appointed as Chief Executive Officer on an annual salary of £400,000. He will next be eligible for a salary review in August 2019.

In respect of the Chief Financial Officer, the Committee approved a 8.7% increase effective 4 August 2018, bringing his annual salary to £250,000. In determining this increase the Committee was mindful of Brad's exceptional contribution to the disposals made in 2017/2018 and of the need for a period of stability at Board level following the retirement of the Chief Executive Officer. The increase equates to 2.7% per annum since Brad's salary was last increased in August 2015 which is below the level of increases made to the broader employee population over the same period.

Salary levels are as follows:

		From 4 August 2018	From 1 August 2017	% increase
J Schwan	Chief Executive Officer	£400,000	n/a	n/a
Matt Armitage	Chief Executive Officer	n/a	£400,000	n/a
Brad Gray	Chief Financial Officer	£250,000	£230,000	8.7%

The average increase across the Company for 2018/2019 is 5.0%.

Pension and benefits

No changes in pension contribution rates or benefits provision to the Executive Directors are to be applied during the period. Like his predecessor, J Schwan will receive pension contributions amounting to 15% of his base salary.

Annual bonus

The annual bonus for the 2018/2019 financial year will operate on broadly the same basis as in 2017/2018. Bonus opportunities for Executive Directors remain at 100% of salary, with any amount earned over 50% of salary deferred in shares for two years and subject to malus provisions in the event of material misstatement. 75% of the bonus opportunity will be based on Adjusted PBT performance (measured before strategic investments), with the remaining 25% based on the achievement of key strategic/personal objectives aligned with the business's strategy and priorities that have been communicated to shareholders.

A summary of performance measures and weightings is included in the table below:

Measure	Weighting
Adjusted PBT	75%
Strategic/personal objectives	25%

In the event of any material acquisition or divestment the Committee would adjust the PBT targets for the acquisition/divestment. The Board considers the targets for the annual bonus measures to be commercially sensitive and therefore will not be disclosing these objectives prospectively. However, it is intended that retrospective disclosure, including any such adjustment of targets, will be provided in next year's Directors' Remuneration Report. In setting Adjusted PBT targets for the year, the Committee reviewed a range of internal and external reference points to ensure that targets are appropriately stretching yet achievable.

Long-term incentives

LTIP awards to be made to Executive Directors in late 2018 will be 100% of salary. Awards will vest subject to performance over a three-year period with vested shares subject to a two-year holding period. Vesting of these awards will be based 70% on Absolute TSR, 15% on growth in Adjusted revenue and 15% on growth in Adjusted PBT, with vesting underpinned by Committee discretion. For any shares to vest, the Committee must be satisfied with the underlying performance of the business. In making this assessment the Committee will take into account factors such as the strength of the balance sheet, quality of earnings, etc.

A summary of performance targets for the forthcoming grant are included in the table below:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR (share price plus rolled up dividends)	70%	0% vesting below 125p 25% vesting for 125p 100% vesting for 175p or more Straight-line vesting between these points	Three-month average to 31 July 2021
Growth in Adjusted revenue	15%	0% vesting below 6% 25% vesting for 6% 100% vesting for 11% or more Straight-line vesting between these points	Adjusted revenue in 2020/2021 as compared to 2017/2018
Growth in Adjusted PBT	15%	0% vesting below 6% 25% vesting for 6% 100% vesting for 14% or more Straight-line vesting between these points	Adjusted PBT in 2020/2021 as compared to 2017/2018

In the event of any material acquisition or divestment the Committee would adjust the revenue and PBT targets to ensure only out-performance of the acquisition/divestment is rewarded. Vesting of awards is subject to overall Committee discretion.

The Absolute TSR performance range for 2018/2019 LTIP awards of 125p to 175p corresponds to c.27% to 77% growth from the trailing three-month average share price on 4 October 2018, the date of Committee approval of the performance range.

Implementation of Non-Executive Director remuneration policy for 2018/2019

Base fee levels for the Chairman and Non-Executive Directors are currently £130,000 p.a. and £42,500 p.a. respectively, with an additional fee for the Audit and Remuneration Committee chairs of £7,500 p.a. and a fee for acting as the Senior Independent Director of £5,000 p.a. There will be no changes to these fee levels for 2018/2019. The Chairman continues to forego £20,000 p.a. of his fee, which the Company donates, together with a matching sum from the Company, to registered charities.

DIRECTORS' REMUNERATION REPORT continued

Share ownership guidelines and Directors' interests in the share capital of the Company (audited)

Shareholding guidelines are in place that require Executive Directors to acquire a holding equivalent to 200% of basic salary for the Chief Executive Officer and 150% of basic salary for the Chief Financial Officer. These levels are considered appropriate to ensure that there is robust long-term alignment achieved between Executive Directors and shareholders. The net of tax number of deferred bonus shares or vested shares under the Company's LTIP will normally be required to be retained until the guideline is met. Directors' share dealings must be conducted in accordance with the Company's Share Dealing Policy.

Interests of Directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 3 August 2018 were as follows:

	Unvested share options	Unvested LTIP awards (subject to performance conditions)	Unvested deferred bonus share awards	Beneficial holding 3 August 2018	Beneficial holding 28 July 2017	Expressed as a percentage of annual basic salary (note 1)
Executive (note 2 and 3)						
Matt Armitage	–	952,319	–	524,371	504,717	132%
Brad Gray	–	578,714	–	70,998	59,767	31%
Non-Executive (note 4 and 5)						
Mike Butterworth	–	–	–	26,000	26,000	–
Helen Stevenson	–	–	–	22,000	22,000	–
Richard Stillwell	–	–	–	90,000	90,000	–
Nigel Pocklington	–	–	–	10,000	10,000	–

- Notes:
1. Calculated by reference to: the number of unvested deferred bonus share awards added to beneficial holdings; the mid-market closing price of the Company's ordinary shares on 8 October 2018 (101.0 pence); and the Director's annual rate of basic salary.
 2. As at year end, J Schwan had a beneficial interest over 7,432,768 Kin + Carta shares, representing 1877% of his new Chief Executive Officer salary calculated by mid-market closing price of the Company's ordinary shares on 8 October 2018.
 3. Matt Armitage's 2016 and 2017 LTIP awards will lapse upon his leaving date on 31 July 2019.
 4. Ben Gordon held 25,000 Kin + Carta shares at the time of his resignation from the Board on 30 November 2017.
 5. As at the year end, David Bell, Non Executive Director, held 24,486 Kin + Carta shares which were purchased prior to his appointment to the Board on 4 August 2018.

On 7 August, Richard Stillwell bought 10,000 Kin and Carta plc ordinary shares. There have been no other changes to any of the continuing Directors' shareholdings between 3 August 2018 and 8 October 2018.

Directors' outstanding share incentive awards (audited)

Details of the share options held by Directors who served during the year are shown below. All options were granted under the LTIP for Nil consideration.

	Date of award	Market price per share at date of award	Balance at 28 July 2017	Exercised during year	Lapsed during year	Awarded during year	Balance at 3 August 2018	Vesting date	Expiry date
Matt Armitage	12 Nov 2014	192.00p	179,718	–	179,718	–	–	12 Nov 2017	12 Nov 2024
	12 Nov 2015	184.70p	216,567	–	–	–	216,567	12 Nov 2018	12 Nov 2025
	16 Nov 2016	128.15p	280,920	–	–	–	280,920	16 Nov 2019	16 Nov 2026
	7 Dec 2017	79.15p	–	–	–	454,832	454,832	7 Dec 2020	7 Dec 2027
			677,205	–	179,718	454,832	952,319		
Brad Gray	12 Nov 2014	192.00p	102,696	–	102,696	–	–	12 Nov 2017	12 Nov 2024
	12 Nov 2015	184.70p	155,657	–	–	–	155,657	12 Nov 2018	12 Nov 2025
	16 Nov 2016	128.15p	161,529	–	–	–	161,529	16 Nov 2019	16 Nov 2026
	7 Dec 2017	79.15p	–	–	–	261,528	261,528	7 Dec 2020	7 Dec 2027
			419,882	–	102,696	261,528	578,714		

Note: Matt Armitage's awards for 2016 and 2017 will lapse upon his leaving date on 31 July 2019.

Details of the qualifying performance conditions in relation to outstanding share incentive awards are summarised below:

Absolute adjusted basic EPS

	12 November 2015 Award	16 November 2016 Award	7 December 2017 Award
Performance measurement period	EPS for 2017/2018 financial year	EPS for 2018/2019 financial year	Not applicable
Weighing (% of award)	25%	25%	
100% vesting	25.23p or more	20.0p or more	
Between 25% and 100% vesting	From 22.23p to 25.23p	From 18.5p to 20.0p	

TSR

	12 November 2015 Award	16 November 2016 Award	7 December 2017 Award
Performance measurement period	1 Aug 2015 to 3 August 2018	29 Jul 2016 to 2 Aug 2019	3-month average to 31 July 2020
Comparator group	FTSE AllShare Media (excl. FTSE100 companies)	FTSE AllShare Media (excl. FTSE100 companies)	None; based on absolute TSR (share price plus rolled up dividends)
Weighing (% of award)	50%	50%	70%
100% vesting	Upper quartile or above	Upper quartile or above	170p or above
Between 25% and 100% vesting	Between median and upper quartile	Between median and upper quartile	Between 110p and 170p
Underpin	Adjusted basic EPS of 21.73p in the 2017/2018 financial year	Committee discretion	Committee discretion

Strategic Marketing profit

	12 November 2015 Award	16 November 2016 Award	7 December 2017 Award (Note)
Performance measurement period	Operating profit from Strategic Marketing as compared to total Group operating profit in 2017/2018	Operating profit from Strategic Marketing as compared to total Group operating profit in 2018/2019	Growth in Adjusted operating profit from Strategic Marketing (2019/20 as compared to 2016/17)
Weighing (% of award)	25%	25%	30%
100% vesting	65% or more	85% or more	14% or more
Between 25% and 100% vesting	Between 55% and 65%	Between 75% and 85%	Between 6% and 14%
Underpin	Adjusted basic EPS of 21.73p in the 2017/2018 financial year	Committee discretion	Committee discretion

Note: In the event of any material acquisition or divestment the Committee would adjust the operating profit target to ensure only out-performance of the acquisition/divestment is rewarded. Vesting of awards is subject to overall Committee discretion.

The market price of Kin and Carta plc ordinary shares of 10 pence each at 3 August 2018 was 98.65 pence and the range during the financial year 2017/2018 was 54.0 pence to 108.0 pence.

DIRECTORS' REMUNERATION REPORT continued

Share options – Sharesave Scheme (audited)

During the prior period, the Executive Directors' options under the 2013 Sharesave Scheme lapsed and there were no further Sharesave options granted to the Directors.

Dilution

Under the ESOS 2001, LTIP and the Sharesave Scheme, awards of options over no more than an aggregate 10% of the Company's issued share capital may be granted over new issue shares in any rolling ten-year period (with awards made under any other share plans also being counted).

As at 3 August 2018, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 10,445,324 shares (6.8% of the Company's issued share capital) have been exercised through new shares or remain outstanding under all share plans and so count towards this limit.

Approved by the Board and signed on its behalf by



Helen Stevenson

Chair of the Remuneration Committee
8 October 2018

DIRECTORS' REPORT

The Directors present their Directors' Report and the audited financial statements for the period ended 3 August 2018. The Corporate Governance Report set out on pages 50 to 53 also forms part of this report.

Details of significant events since the balance sheet date are contained in note 40 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 30 to the financial statements.

Strategic Report, Future Development and Greenhouse Gas Emissions

The Strategic Report which the Company is required under law to prepare can be found on pages 4 to 47. The Strategic Report includes disclosures regarding likely future developments in the business of the Group, carbon emissions and information on the Group's employment policies.

Certain sections of this Annual Report contain forward-looking statements with respect to the strategy, financial condition, results, operations and businesses of the Group or markets in which the Group operates. These statements involve risk and uncertainty because they depend on circumstances that occur in the future and relate to specific events, not all of which are within the Group's control. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable, there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statement. Nothing in the Annual Report should be construed as a profit forecast or an invitation to deal in the ordinary shares of Kin and Carta plc.

Directors and their Share Interests

The present membership of the Board is set out on pages 54 and 55.

The Directors' interests in ordinary shares of the Company are set out in the table on page 78 within the Directors' Remuneration Report.

Results and Dividends

The Group's statutory loss before taxation for the year for continuing operations amounted to £31,171,000 (2017 – statutory loss of £19,167,000 for continuing operations). The Directors propose a final dividend of 1.30 pence for each ordinary share payable on 17 December 2018 to holders on the register as at 23 November 2018. If approved, the final dividend will make total dividends for the year of 1.95 pence per ordinary share:

	£'000
Ordinary dividends	
Interim	927
Proposed final	1,993

Employment Policies, Equal Opportunities, Employee Communication and Diversity

The Group is committed to providing equal opportunities with regard to employment, free from discrimination and harassment and in a healthy and safe working environment. Details of how we deliver on these commitments to our employees are provided in the Corporate Social Responsibility Report on pages 42 to 47.

Human Rights

The Company does not have a specific human rights policy however ethical values and integrity are central to our businesses both in the UK and abroad. As a socially responsible business, we believe that we must operate legally, ethically and to approved policies at all times in order to deliver our customers the best service, consistent quality and confidence that the people who make and sell our products are not being exploited or exposed. Our Ethical Trading Policy establishes the principles with which we expect our employees, contractors, agents, suppliers, consultants and other connected third parties to comply.

The Company's Modern Slavery Act Statement is published on its website at www.kinandcarta.com in accordance with section 54 of the Modern Slavery Act 2015 ('MSA'). The Company is completely opposed to any form of slavery and human trafficking and the Group will not knowingly do business with any organisation or body involved in slavery and human trafficking. More information on the Group's approach to modern slavery can be found in the Corporate Social Responsibility section of the Strategic Report on pages 42 to 47.

DIRECTORS' REPORT continued

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk. The Strategic Report is to be found on pages 4 to 47.

Subsequent to the period end, the Group successfully negotiated a new revolving credit facility of £85 million which will expire on 30 November 2022, on terms broadly in line with the previous agreement. The banking group consists of HSBC Bank plc, Bank of Ireland and Fifth Third Bank.

As highlighted in note 25 to the financial statements, during the period the Group met its day-to-day working capital requirements through an overdraft facility of £15 million that was part of an overall funding facility of £95 million which was due for renewal on 23 March 2019. Subsequent to the period end, the Group entered into a new overdraft facility of £7.5 million as part of the new revolving credit facility.

The current economic conditions create uncertainty, particularly over the level of demand for the Group's services, but the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its facility entered into subsequent to the period end.

After making enquiries, the Directors consider that the Group has adequate resources and borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the Company's viability over a three-year period, having taken account of the Company's current situation and principal risks. Given the fast changing nature of many of the markets in which the Company operates, a three-year assessment period, which is in alignment with our medium-term planning horizon, was selected as this gives management and the Board sufficient visibility of the future. As a result of the new bank facility agreement entered into following the period end, which expires in November 2022, the Company has access to a committed credit facility throughout the three-year forecast period. Visibility is very limited beyond this horizon because of the fast changing nature of many of the markets in which the Company operates.

The analysis was performed by preparing a high level, integrated financial forecast over the three-year period and running a number of potentially stressful, yet plausible, scenarios against this central scenario, starting from the end of the 2017/2018 financial year. The related scenarios reflected the estimated financial impact of adverse events associated with the principal risks outlined in the Principal Risks and Uncertainties Report from pages 36 to 41, and included mitigating actions where these would be under the Company's control.

The event reflected in the stress scenarios with the greatest financial impact comprised a general reduction of up to 15% in sales volume growth relative to the central scenario across all the businesses due to challenging or uncertain economic conditions, including those arising because of the end of the negotiation period for the UK's departure from the European Union. In addition to the stress scenario outlined above, other scenarios were also modelled, including the loss of a significant client, and an increase of five days in the average time taken by customers to settle trading balances due to the Company.

In addition to an assessment of the impact that the scenarios could have on the Company's debt leverage ratio and absolute level of net debt if they were to occur individually, the impact of a combination of the stress scenarios occurring simultaneously was also modelled to test the results of a particularly high stress, combined case. To support the final conclusion on viability, the assessment also took account of potential mitigations available to the business in the event of the combined scenario.

Based on this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due up to July 2021.

In making this statement, the Directors have also made key assumptions which they consider to be reasonable, for example on sales volumes and pricing, bank interest rates and currency exchange rates.

Acquisition of the Company's Own Shares

At the 2017 Annual General Meeting, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 14,275,403 shares. This authority ends on the date of the next Annual General Meeting. Since the year end, no ordinary shares have been purchased by the Company therefore, at the date of this report, 90,637 ordinary shares are held in treasury.

Major Interests in Shares

The Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

	As at 3 August 2018	
	Number of voting rights	Percentage of issued share capital carrying voting rights*
FIL Limited	7,432,590	4.84%
Lombard Odier Asset Management (Europe) Limited	2,583,577	1.68%
Standard Life Aberdeen plc	6,975,742	4.55%

* Percentage based on ordinary shares in issue, excluding treasury shares, as at 3 August 2018.

The Company had not been notified of any changes to voting rights in the period between 3 August 2018 and 8 October 2018.

Auditor

As Deloitte LLP's tenure is approaching an end, Deloitte have not sought re-appointment in accordance with EU rules on auditor rotation. Therefore, a new external auditor will be proposed at the forthcoming AGM to be held on 29 November 2018. Details about this proposal are set out in the Notice of Meeting accompanying the Annual Report and Accounts. In proposing this resolution, the Board has taken into account the view of the Audit Committee following the external auditor tender process. The tender process performed is explained in the Audit Committee Report on page 58.

Each of the Directors of the Company as at 8 October 2018 has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Political Donations

The Company made no political donations during the period (2017 – £Nil) and the Board has no intention to seek shareholders' approval to permit the Board to make political donations.

Directors' and Officers' Liability Insurance and Directors' Indemnities

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors (on identical terms) who served during the period, to the extent permitted by law and the Company's articles of association, in respect of liabilities incurred by virtue of their office. Qualifying third party provisions for the benefit of its Directors (as defined by Section 234 of the Companies Act 2006) were in force during the period ended 3 August 2018 and continue to be in force at the date of this report.

Directors' Conflict of Interest

In accordance with the provisions of Section 175 of the Companies Act 2006, the Company has procedures in place to deal with the situation where a Director has a conflict of interest and the Nomination Committee regularly reviews conflict authorisation. No conflicts of interests were identified during the period. Directors do not take part in discussions on matters in which they are interested and they may be requested to leave a meeting at which a matter in which they are interested is to be discussed.

Change of Control

Subsequent to the period end, the Group entered into a new revolving credit facility of £85 million which falls due for renewal on 30 November 2022. During the period, the Group had a £95 million revolving credit facility which was due to expire on 23 March 2019. The terms of the revolving credit facilities stipulate that consent of the lenders to continue the overall facility is required, should there be a change of control of the Company.

DIRECTORS' REPORT continued

Additional Information

The Company's share capital consists of ordinary shares, as set out in note 32 to the financial statements on page 143. The shares carry no rights to fixed income. All members who hold ordinary shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Notice of Meeting specifies deadlines for exercising voting rights and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares, which are both covered by the provisions of the articles of association and prevailing. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

Details of employee share schemes are set out in note 37. Shares held by the Employee Benefit Trust abstain from voting.

With regard to the appointment and replacement of Directors, the Company is governed by its articles of association, the UK Corporate Governance Code, the Companies Act and related legislation. The Company's articles of association may only be amended by a special resolution of shareholders at a general meeting. Directors are elected or re-elected by ordinary resolution at a general meeting of shareholders. The Board may appoint a Director but anyone so appointed must be elected by ordinary resolution at the next general meeting. Under the articles of association, Directors retire and may offer themselves for re-election at a general meeting at least every three years.

Annual General Meeting

The thirty-seventh Annual General Meeting of the Company will be held on Thursday, 29 November 2018. The Notice of Meeting is included in a separate document sent to shareholders.

Corporate Governance

The corporate governance statement as required by the UK Financial Conduct Authority's Disclosure and Transparency Rules (DTR 7.2) comprises the Additional Information section of the Directors' Report above and the Corporate Governance Report on pages 50 to 53 of this Annual Report.

Directors' Report

The following disclosures required by LR 9.8.4R are contained in the Annual Report as set out below and are incorporated into the Directors' Report:

Listing Rule requirement	Location in Annual Report
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Directors' Remuneration Report on pages 61 to 80
Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking. Where a Director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders.	No such share allotments

The information required under this paragraph (LR 9.8.4 paragraph 7) must be given for any unlisted major subsidiary undertaking of the Company.

By order of the Board



Daniel Fattal

Company Secretary
8 October 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with, Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement:

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development, position and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 8 October 2018 and is signed on its behalf by



J Schwan
Chief Executive Officer
8 October 2018



Brad Gray
Chief Financial Officer



KIN + CARTA

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIN AND CARTA PLC

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- the financial statements of Kin and Carta plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 August 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Balance Sheet;
- the consolidated statement of cash flows;
- the related notes 1 to 41 to the Consolidated Financial Statements;
- the Company balance sheet;
- the Company statement of changes in equity; and
- the related notes 1 to 19 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

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

Summary of our Audit Approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Accounting for disposals; • Impairment of goodwill in respect of the Hive cash generating unit; • Revenue recognition; • Classification and disclosure of Adjusting Items; and • Retirement benefit obligations. <p>Accounting for disposals is a new key audit matter in the current year due to the significant disposals the Group has undertaken in the year.</p> <p>In the prior year, our report also included a key audit matter in relation to acquisition accounting. As there has been no significant acquisition activity in the year this is no longer considered a matter which is of most significance in our audit of the financial statements and has therefore been removed.</p>
Materiality	The materiality that we used for the Group financial statements was £915,000 which was determined on the basis of 5% of Adjusted profit before tax from continuing operations.
Scoping	Our group audit scope consisted of a full audit for all significant continuing UK trading companies, and Solstice in Chicago, representing 91% of the Group's revenue and 83% of profit before tax from continuing operations as well as an audit of specified account balances for discontinued operations, representing 96% of revenue from discontinued operations.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year other than those as set out above.

Conclusions Relating to Going Concern, Principal Risks and Viability Statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the parent company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

- the disclosures on pages 36 to 41 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 85 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 82 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIN AND CARTA PLC continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACCOUNTING FOR DISPOSALS

Key audit matter description	<p>The Group completed the following disposals during the year:</p> <ul style="list-style-type: none"> • Clays, the Group's legacy book production and distribution business, was sold resulting in a profit on disposal of £5.6 million; and • The Group disposed of its Marketing Activation segment, comprising SP Group Limited, Service Graphics Limited, Tactical Solutions UK Limited, Flare Limited, and St Ives Management Services Limited, in two transactions, resulting in a profit on disposal of £12.8 million. <p>Given the significance of these disposals and associated judgements in calculating the profits and losses on disposal, including costs to be included and remaining liabilities, we consider the accounting for these to represent a key audit matter. This gives rise to a possible fraud risk due to the potential for bias in management judgement and manipulation of estimates.</p> <p>Further information is included in note 8 to the accounts and the Audit Committee report.</p>
How the scope of our audit responded to the key audit matter	<p>We recomputed the respective profit and loss on disposals recognised with reference to the relevant legal agreements and other third party information. We have assessed the judgements made by management in calculating the profits and losses on disposal, including consideration of provisions, warranties, and any relevant disposal adjustments, with reference to historical performance and other available information and through meeting with Group management to discuss, understand and challenge the positions taken.</p> <p>As set out in the scoping section below, we completed an audit of specified Income Statement account balances of the disposed entities for the period up to the date of their disposal.</p> <p>We also assessed the classification of the disposed business as discontinued operations against the relevant criteria in IFRS 5.</p>
Key observations	<p>We consider that the treatment adopted in relation to accounting for disposals and the disclosure of these in the financial statements is appropriate.</p>

IMPAIRMENT OF GOODWILL OF THE HIVE CASH GENERATING UNIT

Key audit matter description	<p>The assessment of the carrying value of goodwill involves considerable judgement due to the challenges in accurately forecasting future cash flows in the changing market environment.</p> <p>Key assumptions include short and long term growth rates and the discount rate applied to future cash flows. Management disclose this as a key source of estimation uncertainty in note 2 to the Consolidated Financial Statements with further detail in note 18, and it is considered within the significant financial matters section of the Audit Committee report.</p> <p>We have pinpointed our key audit matter to the recoverability of the goodwill of the Hive cash generating unit ('CGU'), given the level of headroom available. The Group held goodwill in relation to Hive of £15.1 million at 3 August 2018 (pre-impairment of £9.6 million) and 28 July 2017.</p>
How the scope of our audit responded to the key audit matter	<p>We challenged management's assumptions used in their impairment assessment of the Hive goodwill. Our procedures included:</p> <ul style="list-style-type: none"> • assessing the short-term cash flow projections against recent performance, historical forecasting accuracy and gaining an understanding and challenging the key assumptions involved in the forecasts from management, including finance and those outside of finance along with agreeing the amounts to contract where available; • considering contradictory evidence in respect of the revenue and cost forecasts; • comparing the long-term forecasts against long-term economic growth rates from external data; • comparing the discount rate applied against a broad comparator group as well as involving our internal valuation specialists to assess the key components of the discount rate calculation; • considering the reasonableness of, and recalculating, the sensitivity assessment applied by management, and reviewing the sensitivity disclosure included in the Annual Report and Accounts; and • performing further sensitivity analysis of our own on the impairment model.
Key observations	<p>We consider that the impairment recorded in the period is appropriate. Following the impairment the carrying value of the CGU is supportable but sensitive to short term forecasts which has been appropriately disclosed in note 18.</p> <p>We concur with management that a reasonably possible change in projected revenue growth such as the loss of a key customer would indicate further impairment and we consider the additional disclosure provided in note 18 to be appropriate.</p>

REVENUE RECOGNITION

Key audit matter description	<p>We pinpointed the key audit matter relating to revenue as the revenue related to incomplete projects at year end. This totalled £10.7 million (2017: £11.9 million).</p> <p>As noted in the revenue recognition policy in note 2 to the Consolidated Financial Statements, there are projects where revenue is recognised on a percentage of completion basis. There is a risk that revenue may be misstated due to the degree of judgement exercised by management in estimating future costs which gives rise to a possible fraud risk around the potential for manipulation of those estimates.</p>
How the scope of our audit responded to the key audit matter	<p>We have considered management's application of revenue recognition policies to assess compliance with IAS 18 'Revenue'. In particular, this involved:</p> <ul style="list-style-type: none"> • reviewing the underlying contracts to assess whether revenue was correctly recognised in line with the contract; and • pinpointing the key audit matter to projects not complete at period-end and challenging management on the percentage of revenue recognised for different projects and corroborating the judgements made to supporting information.
Key observations	<p>We consider the treatment adopted in relation to the valuation of revenue and the related assumptions applied by management to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIN AND CARTA PLC continued

CLASSIFICATION AND DISCLOSURE OF ADJUSTING ITEMS

Key audit matter description	<p>The Group presents Adjusted Profit before tax from continuing operations within the Consolidated Income Statement of £18.5 million, excluding Adjusting Items, which when added back give statutory loss before tax from continuing operations of £31.2 million. The Group presents this measure as they consider the Adjusted results reflect the underlying performance of the business, how the business is managed on a day to day basis and allows for a consistent and meaningful comparison.</p> <p>Adjusting Items from continuing operations recorded in the Consolidated Income Statement total £49.6 million (pre-tax) (2017: £32.6 million). These transactions are made up of £3.1 million restructuring costs, £0.2 million pension costs and £47.8 million of costs related to acquisitions made in prior periods offset by £1.5 million income recognised from the sale of Property, Plant and Equipment.</p> <p>There is a risk that items relating to the ongoing business are being disclosed as adjusting and that items are not being disclosed in line with the Group accounting policy, which could distort the information presented to shareholders.</p> <p>Adjusting Items are detailed in the significant accounting policies in note 2 and detailed in note 7, and considered within the significant financial matters section of the Audit Committee report.</p>
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How the scope of our audit responded to the key audit matter	<p>We challenged the appropriateness of the classification of Adjusting Items. Our procedures included:</p> <ul style="list-style-type: none"> • assessing whether there is sufficient justification for items to be classed as adjusting, particularly in the context of management's accounting policy, as described in note 2; • considered the balance of any items within Adjusted results; • challenging management on how they have complied with the guidelines issued by the European Securities and Markets Authority (ESMA) on Alternative Performance Measures such as Adjusting Items; and • reviewing the Adjusting Items disclosure in note 7 of the accounts in line with IAS 1 'Presentation of financial statements'.
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Key observations	<p>We are satisfied that the Adjusting Items have been classified in line with management's accounting policy and that appropriate disclosure has been provided around the nature and quantum of each material item.</p>
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RETIREMENT BENEFIT OBLIGATIONS

Key audit matter description	<p>Gross pension assets in 2018 are £353.4 million (2017: £354.5 million) and gross pension liabilities are £351.6 million (2017: £370.5 million) resulting in a net surplus of £1.9 million (2017: deficit of £16.0 million).</p> <p>There is significant judgement involved in the valuation of the retirement benefit obligations, in particular the inflation rate and the discount rate used to measure the liability.</p> <p>Management has acknowledged this as a key source of estimation uncertainty in the accounting policy in note 2 and detailed in note 29, and considered within the significant financial matters section of the Audit Committee report.</p>
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How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this risk included:</p> <ul style="list-style-type: none"> • holding discussions with the Group's pension advisors and meeting with management to discuss and understand the valuation approach applied and the assumptions used in the valuation; • Using internal specialists to consider and challenge the actuarial assumptions adopted by the Group for the valuation of its retirement benefit obligations. This includes benchmarking the assumptions against a relevant comparator group.
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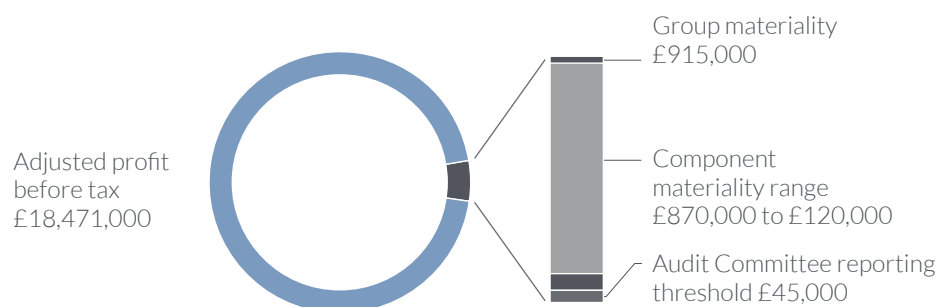
Key observations	<p>We are satisfied that the methodology and assumptions applied in relation to determining the pension valuation, when taken in aggregate, fall within an acceptable range.</p>
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Our Application of Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	£915,000 (2017: £1,197,000)	£870,000
Basis for determining materiality	5% of Adjusted profit before tax from continuing operations. In using Adjusted profit before tax we have followed the Group's definition of this in note 2. We have determined materiality on a consistent basis with the previous year.	Parent company materiality equates to 3% of net assets, which is capped at 95% of Group materiality.
Rationale for the benchmark applied	We have assessed the use of Adjusted profit before tax to be appropriate as this continues to be a key driver of business value, is a critical component of the financial statements, and the main measure which management uses to monitor the performance of the business and communicate this to shareholders.	Net assets was selected as an appropriate benchmark for determining materiality, as the parent company does not trade, and only acts as a holding company.



- Adjusted profit before tax from continuing operations
- Group materiality

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £45,000 (2017: £59,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIN AND CARTA PLC continued

An Overview of the Scope of Our Audit

Our group audit was scoped by obtaining and understanding of the Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at the Group level. Based on that assessment, we set our scoping as illustrated in the below table.

1: Full scope audit procedures; 2: audit of specified account balances; 3: analytical review procedures

	2018	2017
Continuing operations		
AmazeRealise	1	1
Edit (formerly Occam, Response One, and Branded3)	1 ⁱ	1 ⁱ
Hive	1	3
Incite	1	1
Pragma (formerly Pragma and FSP)	3	3
Solstice	1	1
The App Business	1	1
Discontinued operations		
Books	2	1
SP Group	2	1
Service Graphics Limited	2	1
St Ives Management Services	2	1
Tactical Solutions	3	3

i) Full scope audit procedures performed on Occam and Edit (formerly known as Response One). Analytical Review procedures performed on Branded3.

Those entities where we performed full scope audit procedures represent the principal business units and account for 91% of the Group's revenue from continuing operations, 83% of the Group's operating profit from continuing operations, and 94% of the Group's net assets. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £120,000 to £870,000 (2017: £178,000 to £1,014,000).

We completed an audit of specified Income Statement account balances at the entities which have been disposed of in the year, being revenue, cost of sales and operating expenses, representing 96% of revenue from discontinued operations and 98% of operating profit from discontinued operations.

At the parent entity level, we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no key audit matters of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team have ensured that they have maintained oversight of the work performed at the components by involving key component team members in our planning briefing, including a discussion of risk assessment, to ensure an integrated approach was followed. We have maintained regular communications with each component throughout the audit, attended closing meetings for each component, and reviewed documentation of the findings from their work. During the course of the audit, senior members of the Group audit team visited Edit, Hive, Incite and Solstice.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIN AND CARTA PLC continued

Extent to Which the Audit Was Considered Capable of Detecting Irregularities, Including Fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

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

- enquiring of management, internal audit, and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax and pensions, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: revenue recognition; disposals in the year; deferred consideration in relation to previous acquisitions; the Group restructuring; and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition and accounting for disposals as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report On Other Legal And Regulatory Requirements

Opinions On Other Matters Prescribed By The Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the parent company at the AGM on 30 November 2017 to audit the financial statements for the year ending 3 August 2018. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is in excess of 30 years. As set out in the Audit Committee's report, following a tender process, this will be the last year of our appointment.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sukhbinder Kooner (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 October 2018

CONSOLIDATED INCOME STATEMENT

	Note	53 weeks to 3 August 2018			52 weeks to 28 July 2017*		
		Adjusted Results £'000	Adjusting Items (note 7) £'000	Statutory Results £'000	Adjusted Results £'000	Adjusting Items (note 7) £'000	Statutory Results £'000
Continuing operations:							
Revenue	3	178,292	63	178,355	162,948	-	162,948
Cost of sales		(105,110)	(247)	(105,357)	(101,709)	-	(101,709)
Gross profit/(loss)		73,182	(184)	72,998	61,239	-	61,239
Selling costs		(10,749)	-	(10,749)	(10,699)	-	(10,699)
Administrative expenses		(41,817)	(50,676)	(92,493)	(34,547)	(34,678)	(69,225)
Share of results of joint arrangement		569	-	569	355	-	355
Other operating (expense)/income		(20)	1,542	1,522	58	2,760	2,818
Operating profit/(loss)		21,165	(49,318)	(28,153)	16,406	(31,918)	(15,512)
Net pension finance expense		-	(324)	(324)	-	(638)	(638)
Other finance expense		(2,694)	-	(2,694)	(3,017)	-	(3,017)
Profit/(loss) before tax	4	18,471	(49,642)	(31,171)	13,389	(32,556)	(19,167)
Income tax (charge)/credit		(3,659)	2,436	(1,223)	(3,020)	4,228	1,208
Net profit/(loss) for the period from continuing operations		14,812	(47,206)	(32,394)	10,369	(28,328)	(17,959)
Discontinued operations:							
Net profit/(loss) from discontinued operations	8	3,511	(326)	3,185	8,735	(34,134)	(25,399)
Net profit/(loss) for the period from continuing and discontinued operations		18,323	(47,532)	(29,209)	19,104	(62,462)	(43,358)
Attributable to:							
Shareholders of the parent company		18,323	(47,532)	(29,209)	19,104	(62,462)	(43,358)
Basic and diluted earnings/(loss) per share (p)							
From continuing operations	14	10.10	(32.19)	(22.09)	7.27	(19.86)	(12.59)
From continuing and discontinued operations	14	12.49	(32.41)	(19.92)	13.39	(43.79)	(30.40)

* The results for the 52 weeks to 28 July 2017 have been re-presented to reflect the results of the Books and Marketing Activation segments as discontinued operations following their disposals during the period (note 8).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	53 weeks to 3 August 2018 £'000	52 weeks to 28 July 2017 £'000
Loss for the period		(29,209)	(43,358)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefits pension scheme	29	10,958	8,958
Tax charge on items taken through other comprehensive income	11	(1,731)	(1,584)
		9,227	7,374
Items that may be reclassified subsequently to profit or loss:			
Transfers of losses on cash flow hedges		76	302
Gains/(losses) on cash flow hedges		265	(138)
Foreign exchange (loss)/gain		(852)	369
		(511)	533
Other comprehensive income for the period		8,716	7,907
Total comprehensive expense for the period attributable to shareholders of the parent company		(20,493)	(35,451)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Additional paid-in capital* £'000	Treasury shares £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 29 July 2016	14,244	69,795	(163)	6,723	661	77,016	42,368	133,628
Loss for the period	-	-	-	-	-	-	(43,358)	(43,358)
Other comprehensive income	-	-	-	-	533	533	7,374	7,907
Comprehensive income/(expense)	-	-	-	-	533	533	(35,984)	(35,451)
Dividends	-	-	-	-	-	-	(8,705)	(8,705)
Recognition of share-based contingent consideration deemed as remuneration	-	-	-	6,969	-	6,969	-	6,969
Transfer of share-based contingent consideration deemed as remuneration	-	225	-	(5,676)	-	(5,451)	5,754	303
Recognition of share-based payments	-	-	-	70	-	70	-	70
Settlement of share-based payments	40	398	-	(123)	-	275	123	438
Tax on share-based payments	-	-	-	(63)	-	(63)	16	(47)
Balance at 28 July 2017	14,284	70,418	(163)	7,900	1,194	79,349	3,572	97,205
Loss for the period	-	-	-	-	-	-	(29,209)	(29,209)
Other comprehensive (expense)/income	-	-	-	-	(511)	(511)	9,227	8,716
Comprehensive expense	-	-	-	-	(511)	(511)	(19,982)	(20,493)
Dividends	-	-	-	-	-	-	(2,784)	(2,784)
Recognition of share-based contingent consideration deemed as remuneration	-	-	-	6,016	-	6,016	-	6,016
Transfer of share-based contingent consideration deemed as remuneration	-	119	-	(6,865)	-	(6,746)	6,965	219
Recognition of share-based payments	-	-	-	1,274	-	1,274	-	1,274
Settlement of share-based contingent consideration deemed as remuneration	1,059	-	-	(1,101)	-	(1,101)	42	-
Tax on share-based payments	-	-	-	(74)	-	(74)	-	(74)
Balance at 3 August 2018	15,343	70,537	(163)	7,150	683	78,207	(12,187)	81,363

* Additional paid-in capital includes share premium, merger reserve and capital redemption reserve (note 33).

CONSOLIDATED BALANCE SHEET

	Note	3 August 2018 £'000	28 July 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	6,301	26,235
Investment property	16	4,470	-
Goodwill	18	84,742	108,676
Other intangible assets	18	31,493	42,792
Available for sale asset	19	3	3
Investment in joint arrangement	20	223	517
Deferred tax assets	28	1,264	375
Retirement benefits surplus	29	1,858	-
Other non-current assets	22	13	13
		130,367	178,611
Current assets			
Inventories	21	-	6,253
Trade and other receivables	22	40,451	91,063
Derivative financial instruments	23	291	45
Income tax receivable		904	124
Assets held for sale	17	5,282	11
Cash and cash equivalents	22	14,398	25,651
		61,326	123,147
Total assets		191,693	301,758
Liabilities			
Current liabilities			
Loans	25	40,363	-
Trade and other payables	24	35,851	79,539
Derivative financial instruments	23	62	17
Income tax payable		61	1,461
Deferred consideration payable	12	21,170	15,920
Deferred income	26	4,915	7,141
Provisions	27	919	388
		103,341	104,466
Non-current liabilities			
Loans	25	-	80,245
Retirement benefits obligations	29	-	16,041
Other non-current liabilities		822	682
Provisions	27	1,849	1,823
Deferred tax liabilities	28	4,318	1,296
		6,989	100,087
Total liabilities		110,330	204,553
Net assets		81,363	97,205
Capital and reserves			
Share capital		15,343	14,284
Other reserves		78,207	79,349
Retained earnings		(12,187)	3,572
Total equity		81,363	97,205

These financial statements were approved by the Board of Directors on 8 October 2018 and signed on its behalf by



J Schwan
Chief Executive Officer



Brad Gray
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	53 weeks to 3 August 2018 £'000	52 weeks to 29 July 2017 £'000
Operating activities			
Cash generated from operations	35	25,848	30,686
Interest paid		(2,694)	(3,017)
Income taxes paid		(5,430)	(587)
Net cash generated from operating activities		17,724	27,082
Investing activities			
Purchase of property, plant and equipment		(4,425)	(3,154)
Purchase of other intangibles		(149)	(311)
Proceeds on disposal of property, plant and equipment		3,166	11,770
Proceeds on disposal of subsidiaries	8	32,442	-
Deferred consideration paid for acquisitions made in prior periods	12	(16,518)	(663)
Net cash generated from investing activities		14,516	7,642
Financing activities			
Proceeds on issue of shares		-	438
Dividends paid		(2,784)	(8,705)
Decrease in bank loans		(40,000)	(15,000)
Net cash used in financing activities		(42,784)	(23,267)
Net (decrease)/increase in cash and cash equivalents		(10,544)	11,457
Cash and cash equivalents at beginning of the period		25,651	11,835
Effect of foreign exchange rate changes		(709)	2,359
Cash and cash equivalents at end of the period		14,398	25,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Kin and Carta plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is One Tudor Street, London EC4Y 0AH. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Performance Review, pages 6 to 8.

These Consolidated Financial Statements ('the financial statements') are presented in Sterling because this is the currency of the primary economic environment in which the Group operates.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB') and Article 4 of the EU IAS Regulation.

In the current period, the following revised Standards and Interpretations have been adopted:

IAS 7 (amendments)	Disclosure initiative; this standard is mandatory for accounting periods beginning on or after 1 January 2017
IAS 12 (amendments)	Deferred Tax; this standard is mandatory for accounting periods beginning on or after 1 January 2017

At the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group has not applied these standards in the preparation of the Consolidated Financial Statements:

IFRS 9	Financial Instruments; this standard is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 15	Revenue from Contracts with Customers; this standard is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 2 (amendments)	Share-based Payment Transactions; this amendment is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments; this amendment is mandatory for accounting periods beginning on or after 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration; this amendment is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 16	Leases; this standard was issued in January 2016 to replace IAS 17; this standard is mandatory for accounting periods beginning on or after 1 January 2019.

In addition, 'Annual Improvements 2014-2016 Cycle' includes amendments to a number of Standards and Interpretations including IFRS 1 and IAS 28. The effective date of the IFRS 1 and IAS 28 amendments is for annual periods beginning on or after 1 January 2018.

IFRS 9

This standard is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and de-recognition of financial assets and liabilities together with a new hedge accounting model. IFRS 9 operates on an expected credit loss basis rather than on an incurred credit loss basis. The Group is in process of assessing the impact of accounting changes that will arise from the assessment of hedging instruments and the provision for future expected credit loss.

IFRS 15

The standard replaces IAS 18 'Revenue' and specifies how and when an entity shall recognise revenue as well as providing users of financial statements with more informative and relevant disclosures. The Group is in advance stages in assessing the impact of the accounting changes that will arise under IFRS 15. The Group is in process of evaluating the impact of the treatment of incentive-based revenues, revenue recognised in respect of license fees and support services which will impact the timing of the revenue recognition for a small number of the Group's transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. General Information continued

IFRS 16

The standard will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use the asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16. The following changes to lessee accounting will have a material impact:

Right-of-use assets will be recorded for assets that are leased by the Group. Currently no leased assets are included on the Group's Consolidated Balance Sheet in respect of operating leases.

Liabilities will be recorded for future lease payments in the Group's Consolidated Balance Sheet for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options. Currently, liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments.

Lease expenses will comprise depreciation of right-of-use of the assets and interest on the lease liabilities. Interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.

Operating lease cash flows are currently included within operating activities in the Consolidated Statement of Cash Flows. Under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

A number of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore, the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact. However, the changes highlighted above will have a material impact on the Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Statement of Cash Flows after the Group's adoption on 1 August 2019.

Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Subsequent to the year end, the Group successfully negotiated a new revolving credit facility of £85.0 million that will expire on 30 November 2022, on terms broadly in line with the previous agreement. Further detail is contained in the Directors' Report on pages 81 to 84.

2. Significant Accounting Policies

(a) Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) for each period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the period are included in the Consolidated Income Statement from the effective date of acquisition.

Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Adjusting Items

Statutory results ('Statutory Results') presented in the Consolidated Income Statement include Adjusting Items.

Income statement items are presented in the middle column under the heading 'Adjusting Items' where they are significant in size and either they do not form part of the underlying trading activities of the Group or, in the opinion of the Directors, their separate presentation enhances understanding of the financial performance of the Group and its businesses.

The results, excluding Adjusting Items, are presented in the Consolidated Income Statement under the heading 'Adjusted Results', in order to provide a consistent and comparable view of the performance of the Group's ongoing business.

Furthermore, the Adjusted Results, are aligned to the Group's strategy and are used to measure the financial performance of the Group's businesses and are the basis for remuneration. Further details can be found in the Adjusted Performance Measures section on pages 29 to 32.

Items included as Adjusting Items are as follows:

- **Redundancies, restructuring costs and empty property costs**

Redundancies and restructuring costs that occur as one-off costs in the individual businesses, that in aggregation can be significant in size, are recorded as Adjusting Items. Careful consideration is applied by management in assessing whether these costs relate to the restructure of a business within the Group or redundancies in the normal course of business which are not treated as Adjusting Items. Redundancies and restructuring costs related to the closure or disposal of a site are recorded within this caption. Empty property costs comprise expenses relating to the maintenance and security of leasehold property or property owned by the Group from which no ongoing activity takes place. The costs do not relate to the continuing operations of the Group and are therefore recorded as Adjusting Items.

- **Operating results of a site arising after a formal decision on its closure**

Operating losses from non-continuing sites, where that site does not meet the definition of a discontinued operation under IFRS 5 – Non Current Assets Held for Sale and Discontinued Operations include revenue, operational and overhead expenses incurred after a formal decision on a site's closure has been taken. These items also include settlement of onerous leases, costs related to the transfer of assets and professional fees related to closure of the site. The above items are recorded as Adjusting Items on the basis that they do not form part of the ongoing trading activities of the Group.

- **St Ives Defined Benefits Pension Scheme income/expense**

The Scheme was closed to new entrants in April 2002 and to the accrual of future benefits in August 2008. Given the substantial change in the composition of the Group over the last eight years, with a significant number of site closures and disposal of businesses which employed Scheme members, the number of scheme members still employed by the Group has declined substantially and stood at five as at 3 August 2018, representing less than 1% of the total Scheme membership. After the closure of the Scheme, all the in-service members at that time were transferred to a defined contribution scheme. Payments to the defined contribution scheme are expensed to the Consolidated Income Statement and are treated as part of Adjusted Results and not as an Adjusting Item. Therefore the Group classifies the income/(expense) relating to the Scheme as an Adjusting Item.

- **Non-cash impairment charges related to goodwill and other assets**

Impairment charges related to non-current and current assets are non-cash items, do not occur in the normal course of business and tend to be significant in size and irregular in nature. The presentation of this item as an Adjusting Item further enhances the understanding of the ongoing trading performance of the Group.

- **Costs related to acquisitions made in prior periods**

The Group has grown both organically with the development of new operating subsidiaries and through acquisition. However, there is significant inconsistency between the accounting treatment of the goodwill and intangibles associated with the acquisition of businesses and those generated internally. On an unadjusted basis, a business acquired under IFRS 3 would report substantially lower operating profits and a lower return on capital than the businesses which have been developed by the Group, thus making comparison of performance of the businesses and segments difficult.

Therefore the following items are recorded as Adjusting Items to provide a more realistic and comparable view of the businesses and enhance the clarity of the performance of the Group and its businesses to readers of the accounts:

- (i) Amortisation charges related to intangible assets identified through acquisition accounting;
- (ii) Expenses related to contingent consideration required to be treated as remuneration for acquired businesses;
- (iii) Charges and credits arising from the re-estimation of deferred consideration payable in respect of acquisitions; and
- (iv) Charges related to the acquisition of businesses or the setting up of new subsidiaries.

- **Gain or loss associated with disposal of trade, subsidiaries or assets**

The gain or loss on disposal of trade, subsidiaries or assets tends to be significant in size and irregular in nature. The disposal of property, plant and equipment is primarily associated with closed sites or businesses that have been disposed of by the Group. Therefore the gain or loss on the disposal of these assets is treated as an Adjusting Item.

When reviewing these items, the Directors considered the guidelines issued by the Financial Reporting Council ('FRC') and the European Securities and Markets Authority ('ESMA').

A reconciliation of Statutory Results to Adjusted Results can be found in the Consolidated Income Statement. Further details relating to the Adjusting Items are available in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant Accounting Policies continued

(c) Revenue recognition

Revenue for service is recognised as services are delivered or in proportion to the level of services performed. Revenue for the level of services performed is recognised using the stage of completion method when the outcome can be measured reliably.

The stage of completion is determined using relevant criteria including:

- Services performed as a percentage of total services.
- Costs incurred to date as a proportion to the estimated total cost of the transaction such as market research fees.
- Services performed, on time basis, i.e. where the terms of contract have provision for licensing the product on a subscription basis, revenue is recognised over the subscription period on a straight-line basis.
- Services that are linked to delivering goods to fulfil the contract, the revenue is recognised when the goods are delivered to the customer. The goods can be delivered in full or in-part quantities.

The Group uses two main inputs in the measurement of the services performed and the total services:

- (i) **Time spent by staff:** The stage of completion is determined by the time incurred by operational staff to date compared to the total estimated on an individual project basis.
- (ii) **Progress against contracted outputs:** Where applicable, the value of time spent by staff is further validated against the relevant output measures such as project milestones achieved as contracted, number of reports delivered to the customer compared to the total reports contracted.

Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled.

Revenue from supply of goods and services is measured at the fair value of consideration received or receivable and comprises amounts receivable for goods and services, net of trade discounts, up-front payments, VAT and other sales-related taxes.

Revenue for goods is recognised in the Consolidated Income Statement when all the following conditions are satisfied:

- the significant risks and rewards of ownership are transferred to the customer, normally on shipment of the product;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(d) Investment properties

Investment properties are properties which are held to earn rental income and are stated at cost less accumulated depreciation.

Depreciation is charged between 2% to 4% per annum so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement in the period in which the property is derecognised.

(e) Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition. Fair value is finalised within 12 months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out in note 2 (g) below.

Other intangible assets – computer software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Consolidated Balance Sheet at cost less amortisation and impairments. These assets are amortised over their estimated useful lives, which is generally two to five years.

Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful lives, which is generally two to ten years.

Other intangible assets – proprietary techniques

Proprietary techniques identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful life which is generally three to ten years.

Other intangible assets – trademarks

Trademarks identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful lives, which is generally ten years.

All intangible assets with finite lives are amortised on a straight-line basis.

(f) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, or for administration purposes is stated in the Consolidated and Company Balance Sheets at cost less any accumulated depreciation and impairment losses.

Costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Consolidated Income Statement during the period in which they are incurred.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is charged, other than on freehold land and assets under the course of construction, so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following basis:

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33 ¹ / ₃ %
Fixtures, fittings and equipment	10% – 33 ¹ / ₃ %
Motor vehicles	20% – 25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(g) Impairment of property, plant, equipment and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense in the Consolidated Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only in so far as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant Accounting Policies continued

(h) Impairment of goodwill

Goodwill arising on acquisition is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level at which goodwill is monitored by the Group's Board of Directors for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial period, or more frequently when such events or changes in circumstances indicate that it may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Any impairment is recognised immediately in the Consolidated Income Statement. Impairments of goodwill are not subsequently reversed.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition. Cost is valued on a first in, first out ('FIFO') basis. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in selling and distribution.

(j) Tax

The tax expense in the Consolidated Income Statement comprises tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit; and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on non-deductible goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in the Consolidated Statement of Comprehensive Income or when it relates to items that are charged or credited to the Consolidated Statement of Comprehensive Income or directly to the Consolidated Statement of Changes in Equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in the Consolidated Statement of Comprehensive Income or directly to the Consolidated Statement of Changes in Equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and its value can be reliably estimated. When a provision needs to be released, the provision is taken back to the Consolidated Income Statement within the line where it was initially booked.

Provisions for repairs

Provisions for repairs are made where the Group is committed under the terms of the lease to make repairs to leasehold property. The provision is made for the estimated cost over the period of the lease.

Provisions for reorganisation

Provisions for restructuring costs and onerous lease costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

(l) Foreign currencies

The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

Transactions in foreign currencies other than Sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the exchange rate ruling at that date.

Exchange differences are recognised in the Consolidated Income Statement in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in the Consolidated Statement of Comprehensive Income and reclassified to the Consolidated Income Statement on disposal or partial disposal of the net investment.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Consolidated Income Statement.

The results of overseas subsidiaries with functional currencies other than Sterling are translated into Sterling at the average rate of exchange ruling in the period. The average exchange rate for each functional currency is calculated as an average of the Sterling exchange rate ruling at the end of each monthly period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated at each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Sterling at exchange rates ruling at the date the fair value was determined. Exchange gains and losses arising on the retranslation of non-monetary assets and liabilities are recognised directly in a separate component of the Consolidated Statement of Comprehensive Income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant Accounting Policies continued**(m) Financial instruments**

Financial assets and financial liabilities are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its investments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy*
Available for sale asset	19	Available-for-sale financial assets	Fair value through profit and loss	3
Trade and other receivables	22	Loans and receivables	Amortised cost	3
Cash and cash equivalents	22	Loans and receivables	Amortised cost	N/A
Trade and other payables	24	Other financial liabilities	Amortised cost	3
Derivative financial instruments	23	Derivative instrument	Fair value through profit and loss	2
Deferred consideration payable	12	Other financial liabilities	Fair value through profit and loss	3
Bank borrowings	25	Other financial liabilities	Amortised cost	N/A

* The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

Fair value measurements, where applicable, are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group's primary categories of financial instruments are listed below:

Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the Consolidated Income Statement when there is objective evidence that their asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds receivable, net of direct issue costs. Finance charges are accounted for on an accruals basis in the Consolidated Income Statement using the effective interest rate method and are included in creditors to the extent that they are not settled in the period in which they arise.

Available for sale investments

Unlisted shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair values of unlisted shares are calculated with reference to the exit price. All available-for-sale investments carried at fair value have been fair valued using a level 3 measurement as per the fair value hierarchy defined in IFRS 13. Gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period.

Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses derivative financial instruments to hedge its exposure to foreign exchange for the purchase of subsidiaries, goods and services denominated in foreign currencies and the sale of goods and services similarly denominated.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not hold or issue derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurements of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the Consolidated Income Statement in the same period as gains or losses are recognised on the hedged item.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. Gains or losses accumulated in equity are included in the Consolidated Income Statement when the foreign operations are disposed of.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Consolidated Income Statement.

Those derivatives which are not designated as hedges are classified as held for trading and gains and losses on those instruments are recognised immediately in the Consolidated Income Statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Deferred/contingent consideration payable

Deferred/contingent consideration payable and consideration required to be treated as remuneration are typically determined based on a multiple of future incremental EBITDA, and the related amounts are based on forecasts that have been derived from the most recent budgets and forecasts. Any change in the fair value of the outcome is recognised in the Consolidated Income Statement as an Adjusting Item. The deferred consideration payable and accrued contingent consideration required to be treated as remuneration are recognised as financial liabilities, where amounts are expected or required to be cash settled. Where amounts are settled by the future issuance of Kin and Carta plc shares, amounts required to settle the liability are recorded in equity.

The Directors consider that the carrying value of all financial assets and liabilities is approximately equal to their fair value, except for investment properties, which are recorded at amortised cost. The fair value of these assets is disclosed in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant Accounting Policies continued

(n) Retirement benefits

The Group operates both defined benefits and defined contribution schemes for its employees. Payments to the defined contribution schemes are expensed to the Consolidated Income Statement as they fall due.

For the St Ives Defined Benefits Pension Scheme ('the Scheme') full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial period end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income.

The retirement benefits obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefits obligations and as reduced by the fair value of the Scheme's assets.

Any asset resulting from this calculation is recognised in the Consolidated Balance Sheet, as the Group has an unconditional right to a refund of any surplus in the Defined Benefits Pension Scheme at the end of the Scheme's duration.

Past service cost is recognised at the earlier of when the planned amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

Given the closure of the Scheme and the change in the composition of the Group, the Board has concluded that the Scheme's income and expenses do not relate to the underlying trading activities of the Group. Furthermore the underlying assumptions used in the Scheme's valuation are determined by reference to external market data (notably discount and inflation rates) that are outside the Group's control and can vary significantly between periods. The Group's accounting policy is to record the income and expenses related to the Scheme as an Adjusting Item.

Defined benefit income and expenses are split into three categories:

- gains and losses on curtailments and settlements and costs incurred in the running of the Scheme;
- net pension finance charge; and
- remeasurement of gains and losses.

The Group presents the first two components of the Scheme's costs within Adjusting Items in its Consolidated Income Statement and the re-measurement costs within the Consolidated Statement of Comprehensive Income. Past service costs are recognised as an Adjusting Item in the Consolidated Income Statement

(o) Share-based payments

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of the grant. 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 shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. The fair value of share options issued is measured using a binomial model, for the effects of non-transferability, exercise restrictions and behavioural considerations.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

The cumulative expense is reversed when an employee in receipt of the share options terminates service prior to the completion of vesting period. Where the terms of an equity-settled award are modified on termination of the employment, the total fair value of the share-based payments is recorded in the Consolidated Income Statement.

(p) Leases

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.

Rental costs under operating leases are charged to the Consolidated Income Statement in equal amounts over the terms of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

(q) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed by the Group together with the equity instruments equivalent to the mid-market share price on the date of completion, in exchange for control of the acquiree. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

Contingent consideration payable to selling shareholders who continue to be employed by the Group, but which is automatically forfeited upon termination of employment, is classified as remuneration for post-combination services and is recorded in the Consolidated Income Statement. The contingent consideration is satisfied in cash and equity instruments equivalent to the mid-market share price on the date of the consideration payable.

The cash-settled contingent consideration treated as remuneration for post-combination services is recognised in accordance with IAS 19 (revised) Employee Benefits and has been recorded as deferred consideration payable in the Consolidated Balance Sheet. At each balance sheet date, the Group revises its estimate for the contingent consideration payable which is to be settled in cash. The impact of the revision, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Consolidated Balance Sheet.

The equity-settled contingent consideration treated as remuneration for post-combination services is recognised in accordance with IFRS 2 Share-Based Payments and is recorded in equity reserves. Further details can be found in the share-based payments accounting policy. At each balance sheet date, the Group revises its estimate of the consideration payable which is to be settled in shares. The impact of the revision, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date that the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

The value of non-controlling interests in subsidiaries is calculated initially as their share of identifiable net assets, and is subsequently adjusted by their share of comprehensive income.

(r) Joint arrangements

Joint arrangements are entities where no one party is able to exercise overall control in which the Group has an interest. The Group's share of the post-tax results of its joint arrangements is included in the Consolidated Income Statement using the equity method of accounting. Where the Group transacts with a joint arrangement, profits and losses are eliminated to the extent of the Group's interest in the joint arrangement.

Investments in joint arrangements are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity, less any provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant Accounting Policies continued

(s) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of amortised cost and fair value less costs of disposal. Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be completed within one year from the date of classification as an asset held for sale.

(t) Discontinued operations

A discontinued operation is a segment, subsidiary, or a component of a subsidiary that has been disposed of, and represents a separate line of business. The trading results of a discontinued operation together with any gains or loss from the disposal of the operation is reported separately as discontinued operations in the Consolidated Income Statement. Further information can be found in note 8.

(u) Critical accounting judgements and key sources of estimation uncertainty

In the course of applying the Group's accounting policies the following estimations and accounting judgements have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

Critical accounting judgements

Adjusting Items

In the opinion of the Directors, separate presentation of Adjusting Items and Alternative Performance Measures ('APMs') provides useful information in understanding the financial performance of the Group and its businesses. The classification of Adjusting Items requires management judgement after considering the nature and intentions of a transaction. The Group's definitions of Adjusting Items are outlined within the Group accounting policies on pages 104 to 105. These definitions have been applied consistently year-on-year. Further details are provided in note 7.

Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value-in-use the forecast of future cash flows of cash-generating units and selection of appropriate discount rates is required to calculate present values, a process which involves estimation. The recoverability analysis indicates that, other than as indicated in note 18, the carrying amount of goodwill will be recovered in full. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £84.7 million (2017 – £108.7 million). A sensitivity analysis can be found in note 18.

Impairment of acquired intangibles

The Group considers the recoverability of acquired intangibles which are included within the Consolidated Balance Sheet at £31.1 million. The key areas of consideration when assessing the recoverability of these assets are in relation to the discount rates, terminal growth rates, budgets and forecasts to be applied to forecast cash flows. A sensitivity analysis can be found in note 18.

Retirement benefits obligations

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net surplus in the Consolidated Balance Sheet for the Defined Benefits Pension Scheme was £1.9 million (2017 – deficit of £16.0 million). A sensitivity analysis can be found in note 29.

Deferred/contingent consideration payable

Estimated deferred or contingent consideration for TAB of £1.3 million – recorded at the balance sheet date – is dependent upon the level of EBITDA to be achieved by the business, which is based on the forecasts approved by the Board. Further details and a sensitivity analysis can be found in note 12. The recognition of deferred tax assets in respect of contingent consideration for Solstice is based on future profitability of an entity over the period stated in the viability statement.

3. Revenue

An analysis of the Group's revenue as defined by IAS 18 – 'Revenue' is as follows:

	2018 £'000	2017 £'000
Continuing operations:		
Rendering of services	178,355	162,948
Discontinued operations:		
Sale of goods	140,738	230,206
Continuing and discontinued operations:		
Sale of goods	140,738	230,206
Rendering of services	178,355	162,948
Revenue from the sale of goods and rendering of services	319,093	393,154

4. Segment Reporting

The Group reports its results through one segment and with corporate costs shown as a separate segment. This is based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to the segments and the assessment of performance of the segments.

During the period, the Group disposed of its Books and Marketing Activation segments. Therefore the single operating segment consists of the digital transformation businesses; AmazeRealise, The App Business, Solstice, Edit, Pragma, Incite and Hive. The results of our joint venture, Loop, are also reported within this segment. This segment was formerly referred to as the Strategic Marketing segment.

Corporate costs are reported separately to the single operating segment as this presentation better reflects the segment's profitability.

Business segment

Results from continuing operations for the current period:

	53 weeks to 3 August 2018		
	Businesses £'000	Corporate costs £'000	Total £'000
Revenue	178,355	-	178,355
Operating profit/(loss) before Adjusting Items	26,483	(5,318)	21,165
Adjusting Items	(49,287)	(31)	(49,318)
Statutory loss from operations	(22,804)	(5,349)	(28,153)
Net pension finance expense			(324)
Other finance expense			(2,694)
Statutory loss before tax			(31,171)
Income tax charge			(1,223)
Statutory net loss for the period from continuing operations			(32,394)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Segment Reporting continued**Business segment continued**

Results from continuing operations for the prior period:

	52 weeks to 28 July 2017		
	Businesses £'000	Corporate costs £'000	Total £'000
Revenue	162,948	–	162,948
Operating profit/(loss) before Adjusting Items	20,808	(4,402)	16,406
Adjusting Items	(30,665)	(1,253)	(31,918)
Statutory loss from operations	(9,857)	(5,655)	(15,512)
Net pension finance expense			(638)
Other finance expense			(3,017)
Statutory loss before tax			(19,167)
Income tax credit			1,208
Statutory net loss for the period from continuing operations			(17,959)

Other information

	53 weeks to 3 August 2018		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Capital additions	4,050	509	4,559
Depreciation and amortisation charges	11,025	1,563	12,588
Impairment charges	12,082	18,833	30,915

	52 weeks to 28 July 2017		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Capital additions	2,131	1,245	3,376
Depreciation and amortisation charges	12,434	4,339	16,773
Impairment charges	241	32,817	33,058

Geographical segments

Revenue by geographical segment is based on the location where the provision of goods and services has been provided.

	2018 £'000	2017 £'000
United Kingdom	119,753	120,074
United States of America	57,066	40,896
Rest of the world	1,536	1,978
Total	178,355	162,948

The Group derives 55% (2017 – 61%) of the total revenue from clients located in the UK, 36% (2017 – 30%) of the total revenue from clients located in the US and 9% (2017 – 9%) from clients located in the rest of the world.

5. Profit/(Loss) from Operations

Profit/(loss) from operations has been arrived at after charging/(crediting):

	2018 £'000	2017 £'000
Auditor's remuneration		
Audit fees:		
– Audit of the Company accounts	185	143
– Audit of the accounts of the Company's subsidiaries	318	331
	503	474
Other assurance	40	37
Non-audit fees:		
– Transaction related services	230	140
Total fees paid to the auditors	773	651
Staff costs (note 6)	164,848	183,668
Depreciation of property, plant and equipment (note 15)	3,669	5,959
Depreciation of investment property (note 16)	236	190
Amortisation of intangible assets (note 18)	8,683	10,624
Impairment of goodwill and intangible assets – continuing operations (note 4)	12,082	241
Impairment of non-current and current assets – discontinuing operations (note 4)	18,833	32,817
Operating lease rentals:		
– land and buildings ¹	4,457	4,628
– plant and equipment ¹	23	1,119
– other ¹	59	1,056
Loss/(profit) on disposal of property, plant and equipment included in Adjusted Results	20	(58)
Profit on disposal of property, plant and equipment included in Adjusting Items	(1,542)	(2,760)

¹ The expenses in the current period represent continuing operations only.

6. Staff Costs

The average monthly number of employees (including Executive Directors) was:

	2018 £'000	2017 £'000
Continuing Operations		
Operations	1,162	1,103
Sales	73	62
Administration	208	228
Continuing Operations	1,443	1,393
Discontinued Operations	1,909	2,115
Continuing and Discontinued Operations	3,352	3,508

The employment costs during the period were:

	2018 £'000	2017 £'000
Continuing Operations		
Wages and salaries	99,211	85,095
Social security costs	5,694	7,132
Other pension costs	2,201	2,514
	107,106	94,741
Share-based contingent consideration deemed as remuneration	16,704	8,511
Share-based payment charge	7,290	7,039
Continuing Operations	131,100	110,291
Discontinued Operations	33,748	73,377
Continuing and Discontinued Operations	164,848	183,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. Adjusting Items**Continuing operations**

Adjusting Items disclosed on the face of the Consolidated Income Statement included in respect of continuing operations are as follows:

Expense/(income)	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Restructuring items				
Redundancies and other charges	2,737		283	
Costs associated with empty properties	325		-	
		3,062		283
St Ives Defined Benefits Pension Scheme expense/(credits)				
Scheme administrative costs	617		756	
Curtailment credit	(1,261)		-	
Other related costs	613		497	
		(31)		1,253
Costs related to acquisitions made in prior periods				
Amortisation of acquired intangibles	8,659		9,889	
Impairment of goodwill and intangible assets	12,082		242	
Costs associated with prior period acquisitions and setup of subsidiaries	-		99	
Contingent consideration required to be treated as remuneration	23,994		15,550	
Increase in deferred consideration	3,094		7,362	
		47,829		33,142
Adjusting Items		50,860		34,678
Profit on disposal of property, plant and equipment		(1,542)		(2,760)
Adjusting Items before interest and tax		49,318		31,918
Net pension finance expense in respect of defined benefits pension scheme		324		638
Adjusting Items before tax		49,642		32,556
Income tax credit		(2,436)		(4,228)
Adjusting Items after tax		47,206		28,328

Restructuring items**Current period**

The restructuring items in the current period include redundancy and restructuring costs of £2.5 million relating to AmazeRealise, Hive and Incite and redundancies of £0.2 million in Kin and Carta plc following the disposal of the Group's Books and Marketing Activation segments.

As a result of the amalgamation of Occam and Response One into the new Edit office located in Bath, there is an empty property cost of £0.3 million.

Prior period

The restructuring items comprise redundancy costs of £0.3 million relating to the restructuring of the digital businesses.

Disposal of properties**Current period**

The profit on disposal of property, plant and equipment of £1.5 million relates to the sale of properties in Bungay and Bath.

Prior period

The profit on disposal of property, plant and equipment of £2.8 million relates to the sale of the Group's properties in Burnley, Peterborough and Roche.

St Ives Defined Benefit Pension Scheme expense

Current period

The Scheme charges include service costs of £0.6 million, a net pension finance charge of £0.3 million and costs in relation to running the Scheme of £0.6 million offset by a one off curtailment credit of £1.3 million.

Prior period

The Scheme charges include service costs of £0.8 million, a net pension finance charge of £0.6 million, and costs in relation to running the Scheme of £0.5 million.

Costs related to acquisitions made in current and prior periods

Current period

Due to a decline in revenue generated from our healthcare business, Hive's goodwill was impaired by £9.6 million and an impairment charge of £2.1 million was recorded against Hive's proprietary techniques. An additional impairment charge of £0.4 million was recorded in respect of Fripp, Sandeman and Partners intangible assets due to obsolescence of techniques.

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software intangibles were £8.7 million in the current period (note 18).

During the period, charges relating to contingent consideration deemed as remuneration of £24.0 million were recorded in the Consolidated Income Statement as Adjusting Items. The charges were primarily in respect of the acquisitions of Solstice and The App Business.

An additional deferred consideration charge of £3.1 million was recorded in the current period in respect of Solstice.

Prior period

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software intangibles of £9.9 million were recorded in the prior period.

An impairment charge of £0.2 million was recorded against Occam's software due to obsolescence.

Charges relating to contingent consideration deemed as remuneration of £15.6 million and charges related to an increase in deferred consideration payable of £7.4 million were recorded in the Consolidated Income Statement as Adjusting Items. The charge was mainly in respect of the acquisitions of Realise, Solstice and The App Business.

Tax

In the current period, the tax credit of £2.4 million (2017 – £4.2 million) relates to the items discussed above.

Discontinued operations

Following the disposal of the Books and Marketing Activation segments, the related Adjusting Items in respect of these segments have been reclassified as discontinued operations. Details can be found in note 8.

Continuing and discontinued operations

Total Adjusting Items from continuing and discontinued operations are as follows:

	2018 £'000	2017 £'000
Continuing operations	47,206	28,328
Discontinued operations	326	34,134
Continuing and discontinued operations	47,532	62,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Discontinued Operations

The Group disposed of its Books and Marketing Activation segments in the period. As a result these segments have been classified as discontinued operations for both the current and prior period.

The results of the discontinued operations are summarised as follows:

	From 29 July 2017 to the date of disposal £'000	52 Weeks to 28 July 2017 £'000
Profit/(loss) after tax from discontinued operations:		
Books segment	8,613	(130)
Marketing Activation segment	(5,428)	(25,269)
Total	3,185	(25,399)

The net cash inflow from the disposal of the Books and Marketing Activation segments is as follows:

	2018 £'000
Books	19,005
Marketing Activation	13,437
Total	32,442

The discontinued operations had the following impact on trading cash flows in the current and prior period:

	2018 £'000	2017 £'000
Cash flows generated from operating activities	3,950	6,628
Cash flows used in investing activities	(520)	(767)
Cash flows from financing activities	-	-
Net cash flows generated from discontinued operations	3,430	5,861

Books segment

The Group disposed of its Books segment on 30 April 2018 for total cash consideration of £26.0 million. The trading results of the Books segment are summarised as follows:

	From 29 July 2017 to 30 April 2018 £'000	52 Weeks to 28 July 2017 £'000
Revenue	52,198	76,465
Operating costs	(48,526)	(72,387)
Operating profit before Adjusting Items	3,672	4,078
Income tax charge	(621)	(571)
Profit after tax before Adjusting Items	3,051	3,507
Adjusting Items:		
Fixed asset impairment	-	(2,232)
Stock impairment	-	(646)
Restructure of the business	-	(1,505)
Adjusting Items before tax	-	(4,383)
Income tax credit on Adjusting Items	-	746
Adjusting Items after tax	-	(3,637)
Gain on sale of the Books segment	5,562	-
Total Adjusting Items	5,562	(3,637)
Profit/(loss) from discontinued operations of the Books segment:		
Profit after tax before Adjusting Items	3,051	3,507
Adjusting Items	-	(3,637)
Gain on sale of the Books segment	5,562	-
Statutory profit/(loss) after tax	8,613	(130)

The net assets of the Books segment as at 30 April 2018 are summarised as follows:

	£'000 Assets/(liabilities)
Property, plant and equipment	7,350
Intangible assets	1
Deferred tax assets	214
Inventories	3,662
Trade and other receivables	15,519
Cash and cash equivalents	5,598
Trade and other payables	(12,966)
Corporation tax payable	(337)
Net assets	19,041
Selling costs	1,397
Profit on disposal before tax	5,562
Total consideration received	26,000

The fair value of the consideration receivable for the disposal of the Books segment is comprised as follows:

	£'000
Cash consideration paid on 30 April 2018	26,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Discontinued Operations continued**Books segment continued**

The disposal of the Books segment had the following impact on investing cash flows in the current period:

	£'000
Consideration received in cash and cash equivalents	26,000
Less:	
Cash and cash equivalents at the date of disposal	(5,598)
Selling costs	(1,397)
Net cash inflow	19,005

Marketing Activation segment

The Group disposed of its Marketing Activation segment during the period, with the SP Group, Service Graphics and Tactical Solutions being disposed of on 2 March 2018 for a total cash consideration of £9.8 million, and St Ives Management Services Limited being disposed of on 22 June 2018 for a total cash consideration of £14.2 million. The trading results of the Marketing Activation segment are summarised as follows:

	From 29 July 2017 to the date of disposal £'000	52 Weeks to 28 July 2017 £'000
Revenue	88,540	153,741
Operating costs	(88,036)	(147,120)
Operating profit before Adjusting Items	504	6,621
Income tax charge	(44)	(1,393)
Profit after tax before Adjusting Items	460	5,228
Adjusting Items:		
Goodwill impairment	(14,482)	(27,130)
Impairment of non-current and current assets	(4,351)	(2,808)
Restructuring costs	-	(1,215)
Amortisation of acquired intangibles	173	(64)
Adjusting Items before tax	(18,660)	(31,217)
Income tax credit on Adjusting Items	-	720
Adjusting Items after tax	(18,660)	(30,497)
Gain on sale of the Marketing Activation segment	12,772	-
Total Adjusting Items	(5,888)	(30,497)

Loss from discontinued operations of the Marketing Activation segment:

	£'000	£'000
Profit after tax before Adjusting Items	460	5,228
Adjusting Items	(18,660)	(30,497)
Gain on sale of the Marketing Activation segment	12,772	-
Statutory loss after tax	(5,428)	(25,269)

The net assets of the Marketing Activation segment as at the date of disposal are summarised as follows:

	Assets/ (liabilities) £'000	Impairment £'000	Total £'000
Property, plant and equipment	1,740	(1,558)	182
Goodwill	14,482	(14,482)	-
Other intangible assets	255	(244)	11
Other non-current assets	127	(127)	-
Deferred tax assets	1,049	-	1,049
Inventories	1,929	(1,929)	-
Trade and other receivables	26,535	(493)	26,042
Cash and cash equivalents	9,700	-	9,700
Trade and other payables	(25,415)	-	(25,415)
Provisions	(844)	-	(844)
Corporation tax	(360)	-	(360)
Net assets	29,198	(18,833)	10,365
Selling costs			820
Profit on disposal before tax			12,772
Total consideration received			23,957

The fair value of the consideration receivable for the disposal of the Marketing Activation segment is comprised as follows:

	£'000
Cash consideration paid on 2 March 2018	9,765
Cash consideration paid on 22 June 2018	14,192
Total consideration received	23,957

The disposal had the following impact on investing cash flows in the current period:

	£'000
Consideration received in cash and cash equivalents	23,957
Less:	
Cash and cash equivalents disposed of	(9,700)
Selling costs	(820)
Net cash inflow	13,437

9. Pension Finance Charge

	2018 £'000	2017 £'000
Investment income on defined benefit pension scheme assets (note 29)	(9,035)	(8,436)
Interest expense on defined benefit pension scheme obligations (note 29)	9,359	9,074
	324	638

10. Other Finance Costs

	2018 £'000	2017 £'000
Interest on bank overdrafts and loans	(2,694)	(3,017)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Tax

Income tax on the (loss)/profit as shown in the Consolidated Income Statement is as follows:

Continuing operations:

	2018 £'000	2017 £'000
Total current tax charge:		
Current period	(3,588)	(3,155)
Adjustments in respect of prior periods	58	483
Total current tax charge	(3,530)	(2,672)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	2,249	3,933
Adjustments in respect of prior periods	58	(53)
Total deferred tax credit	2,307	3,880
Total income tax (charge)/credit	(1,223)	1,208

Discontinued operations:

	2018 £'000	2017 £'000
Total current tax charge:		
Current period	(894)	(1,357)
Adjustments in respect of prior periods	35	199
Total current tax charge	(859)	(1,158)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	175	828
Adjustments in respect of prior periods	19	(168)
Total deferred tax credit	194	660
Total income tax charge	(665)	(498)

Continuing and discontinued operations:

	2018 £'000	2017 £'000
Total current tax charge:		
Current period	(4,482)	(4,512)
Adjustments in respect of prior periods	93	682
Total current tax charge	(4,389)	(3,830)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	2,424	4,761
Adjustments in respect of prior periods	77	(221)
Total deferred tax credit (note 28)	2,501	4,540
Total income tax (charge)/credit	(1,888)	710

Income tax on the (loss)/profit from continuing operations before and after Adjusting Items is as follows:

	2018 £'000	2017 £'000
Tax charge on Adjusted profit before tax	(3,659)	(3,020)
Tax credit on Adjusting Items	2,436	4,228
Total income tax (charge)/credit	(1,223)	1,208

The blended tax rate used above of 19.04% is based predominantly upon UK corporation tax (19%), US federal tax (35%) and relevant US state tax rates. Taxation for other jurisdictions is calculated at the statutory rates prevailing in the respective jurisdictions.

The tax (charge)/ credit for continuing operations can be reconciled to the loss before tax shown in the Consolidated Income Statement as follows:

	2018 £'000	2017 £'000
Loss before tax from continuing operations	(31,171)	(19,167)
Tax calculated at a rate of 19.04% (2017 – 29.67%)	5,935	5,687
Non-deductible charges on impairment of tangible and intangible assets	(1,817)	–
Expenses not deductible for tax purposes	(6,546)	(7,541)
Effect of tax deductible goodwill	626	634
Effect of change in United Kingdom corporate tax rate	(46)	(143)
Credit on research and development activities	244	307
Movement in deferred tax on industrial buildings	290	1,824
Re-assessment of tax losses	(25)	9
Adjustments in respect of prior periods	116	431
Total income tax (charge)/credit	(1,223)	1,208

Income tax as shown in the Consolidated Statement of Comprehensive Income is as follows:

	2018 £'000	2017 £'000
United Kingdom corporation tax credit at 19.00% (2017 – 19.67%)	1,258	548
Deferred tax on origination and reversal of temporary differences (note 28)	(2,989)	(2,132)
Total income tax charge	(1,731)	(1,584)

Income tax as shown in the Consolidated Statement of Changes in Equity is as follows:

	2018 £'000	2017 £'000
United Kingdom corporation tax credit at 19.00% (2017 – 19.67%)	–	(16)
Deferred tax on origination and reversal of temporary differences (note 28)	74	63
Total income tax credit	74	47

UK tax rates

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. In the Finance Act 2016, the Government announced further reductions in the main tax rate down to 17% effective from 1 April 2020, which was substantively enacted on 6 October 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

US tax rates

The tax charges related to US subsidiaries has been calculated using a rate of 33.83% (2017 – 40.19%), following a reduction in the US Federal tax rate applicable from 35% to 21%. This was effective from 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Acquisitions**Solstice Consulting LLC**

In March 2015, the Group acquired 100% of the equity stock of Solstice Consulting LLC ('Solstice'). Deferred consideration was payable in a number of tranches dependent upon the level of EBITDA achieved by Solstice for the calendar years ending 2015, 2016 and 2017. As at 3 August 2018 the deferred consideration payable for the remainder of the third tranche was £3.4 million, which was subsequently settled in cash in August 2018.

The App Business Limited

In January 2016, the Group acquired 100% of the share capital in The App Business Limited ('TAB'). Deferred consideration is payable in four tranches dependent upon the level of EBITDA achieved by TAB for the years ending 30 April 2016, 30 April 2017, 30 April 2018 and 30 April 2019. The deferred consideration for the third tranche was £22.0 million with a further £2.0 million to be paid in cash if the EBITDA for the year ended 30 April 2019 is equal to or greater than the EBITDA for the year to 30 April 2018. The Group issued 5.7 million shares in the period and subsequent to the year-end made a cash payment of £9.7 million and issued a loan note of £6.8 million to settle the third tranche of deferred consideration. The loan note is exercisable six months after issue. The Group expects to settle an estimated liability for the fourth tranche of deferred consideration, of £2.0 million in the financial year 2020.

The deferred consideration is treated as follows:

	Deferred consideration payable as at 3 August 2018 £'000	Deferred consideration accrued as share-based payments £'000	Deferred consideration to be expensed in future periods £'000	Total £'000
Solstice	3,352	–	–	3,352
TAB – Third Tranche	16,523	4,379	1,129	22,031
TAB – Fourth Tranche	1,295	–	705	2,000
	21,170	4,379	1,834	27,383

As at 3 August 2018, deferred/contingent consideration payable of £21.2 million has been recorded as a liability in the Group's Consolidated Balance Sheet.

The movement in deferred consideration is as follows:

	£'000
Deferred consideration payable as at 28 July 2017	15,920
Amounts paid in current period	(16,518)
Deferred consideration charged in current period	21,768
Deferred consideration payable as at 3 August 2018	21,170

Sensitivity Analysis

The significant unobservable input used in the fair value measurement of the deferred/contingent consideration payable is future incremental EBITDA of TAB. A significant decrease in EBITDA in TAB would result in a decrease in deferred consideration payable.

As at the balance sheet date the Group has recorded the maximum possible level of deferred consideration payable in respect of Solstice and TAB.

Cash outflow related to acquisitions made in prior periods

The total impact on investing cash outflows in the current period related to acquisitions made in prior periods is as follows:

	2018 £'000
TAB – working capital	381
TAB – deferred consideration	3,767
Solstice – deferred consideration	12,370
Net cash outflow	16,518

13. Dividends

	Per share	2018 £'000	2017 £'000
Final dividend paid for the 52 weeks ended 29 July 2016	5.45p	–	7,777
Interim dividend paid for the 26 weeks ended 27 January 2017	0.65p	–	928
Final dividend paid for the 52 weeks ended 28 July 2017	1.30p	1,857	–
Interim dividend paid for the 27 weeks ended 2 February 2018	0.65p	927	–
Dividends paid during the period	–	2,784	8,705
Proposed final dividend at the period end of 1.30p per share (2017 – 1.30p per share)	1.30p	1,993	–

The proposed final dividend is subject to approval by shareholders at the 2018 Annual General Meeting and has not been included as a liability in these financial statements.

14. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

Number of shares

	2018 '000	2017 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	146,654	142,642

Earnings per share

	2018		2017	
	Earnings/(loss) £'000	Earnings/(loss) per share pence	Earnings/(loss) £'000	Earnings/(loss) per share pence
Continuing operations:				
Earnings/(loss) and basic and diluted earnings/(loss) per share				
Adjusted earnings and Adjusted basic earnings per share	14,812	10.10	10,369	7.27
Adjusting Items	(47,206)	(32.19)	(28,328)	(19.86)
Loss and basic and diluted loss per share	(32,394)	(22.09)	(17,959)	(12.59)
Discontinued operations:				
Earnings/(loss) and basic and diluted earnings/(loss) per share				
Adjusted earnings and Adjusted basic earnings per share	3,511	2.39	8,735	6.12
Adjusting Items	(326)	(0.22)	(34,134)	(23.93)
Earnings/(loss) and basic and diluted earnings/(loss) per share	3,185	2.17	(25,399)	(17.81)
Continuing and discontinued operations:				
Earnings/(loss) and basic and diluted earnings/(loss) per share				
Adjusted earnings and Adjusted basic earnings per share	18,323	12.49	19,104	13.39
Adjusting Items	(47,532)	(32.41)	(62,462)	(43.79)
Loss and basic and diluted loss per share	(29,209)	(19.92)	(43,358)	(30.40)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Property, Plant and Equipment

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost:					
At 29 July 2016	17,244	5,671	89,339	8,767	121,021
Additions	-	256	2,283	526	3,065
Disposals	(6)	(150)	(1,939)	(154)	(2,249)
Reclassification – investment property	(1,733)	-	-	-	(1,733)
Reclassification – freehold property	179	(179)	(14)	14	-
Foreign exchange	-	3	(5)	3	1
At 28 July 2017	15,684	5,601	89,664	9,156	120,105
Additions	-	586	3,452	372	4,410
Disposals – continuing operations	(1,600)	(262)	(2,069)	(426)	(4,357)
Disposals – discontinued operations (note 8)	-	(3,143)	(85,214)	(7,316)	(95,673)
Reclassification – investment property	(13,821)	-	-	-	(13,821)
Reclassification – asset under construction	-	306	(1,122)	816	-
Foreign exchange	-	13	27	30	70
At 3 August 2018	263	3,101	4,738	2,632	10,734
Accumulated depreciation and impairment:					
At 29 July 2016	3,981	2,766	72,531	6,184	85,462
Charge for the period	297	572	4,053	1,037	5,959
Impairment	-	217	4,350	407	4,974
Disposals	(2)	(137)	(1,913)	(142)	(2,194)
Reclassification – freehold property	180	(180)	-	-	-
Reclassification – investment property	(321)	-	-	-	(321)
Foreign exchange	-	(2)	(8)	-	(10)
At 28 July 2017	4,135	3,236	79,013	7,486	93,870
Charge for the period	36	433	2,404	796	3,669
Disposals – continuing operations	(148)	(195)	(2,014)	(361)	(2,718)
Disposals – discontinued operations (note 8)	-	(3,144)	(78,050)	(6,947)	(88,141)
Impairment – discontinued operations (note 8)	-	577	929	52	1,558
Reclassification – investment property	(3,834)	-	-	-	(3,834)
Foreign exchange	-	3	16	10	29
At 3 August 2018	189	910	2,298	1,036	4,433
Net book value:					
At 3 August 2018	74	2,191	2,440	1,596	6,301
At 28 July 2017	11,549	2,365	10,651	1,670	26,235

The amount of fully depreciated property, plant and equipment as at period end was £3.1 million (2017 – £62.0 million).

Details on the impairment and disposal of items related to discontinued operations can be found in note 8.

16. Investment Property

	Investment Property £'000
Cost:	
At 28 July 2017	–
Reclassification – freehold property	13,821
Reclassification – asset held for sale	(6,427)
At 3 August 2018	7,394
Accumulated depreciation:	
At 28 July 2017	–
Reclassification – freehold property	3,834
Charge	236
Reclassification – asset held for sale	(1,146)
At 3 August 2018	2,924
Net book value:	
At 3 August 2018	4,470
At 28 July 2017	–

As at 3 August 2018, the fair value of investment properties is not materially different from its net book value of £4.5 million. This was arrived at on the basis of a valuation carried out by Matthews & Goodman, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

An amount in relation to rental income from investment properties of £0.3 million (2017 – £0.9 million) has been recognised in the Consolidated Income Statement.

The Group has freehold land with a net book value of £2.2 million (2017 – £2.2 million), of which £0.2 million is classified as investment property and £2.0 is classified as asset held for sale (note 17). These assets have not been depreciated.

17. Asset Held for Sale

Following the disposal of SP Group and the acquirer giving notice on a lease on a property owned by the Group, the property is being marketed for sale and is classified as an asset held for sale, with a carrying value of £5.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Goodwill and Other Intangible Assets

	£'000
Cost and carrying amount of goodwill:	
At 29 July 2016	135,633
Impairment	(27,130)
Foreign exchange	173
At 28 July 2017	108,676
Impairment	(9,564)
Impairment – discontinued operations	(14,482)
Foreign exchange	112
At 3 August 2018	84,742

The goodwill impairment charge in the current period relates to Hive as detailed in note 7. The exchange rate movement of £0.1 million (2017 – £0.2 million) relates to Solstice's goodwill, which is denominated in US Dollars.

The impairment charge of £27.1 million in the prior year comprises £21.1 million in respect of SP Group Ltd, £2.5 million in respect of Service Graphics Ltd and £3.5 million in respect of Tactical Solutions UK Ltd all part of the Marketing Activation segment that was divested during the period.

Details of the impairment relating to the discontinued operations can be found in note 8.

Goodwill is allocated amongst the following cash-generating units ('CGUs'):

	2018 £'000	2017 £'000
Continuing operations:		
Amaze	–	11,551
Realise	–	19,743
AmazeRealise	31,294	–
Branded3	–	7,774
Data Marketing	–	15,748
Edit Agency	23,522	–
Hive	5,500	15,062
Incite	601	601
Pragma	886	218
Fripp, Sandeman and Partners	–	668
Solstice	14,561	14,449
The App Business	8,378	8,378
	84,742	94,192
Discontinued operations:		
Service Graphics	–	12,452
Tactical Solutions	–	2,032
	84,742	108,676

During the period the Data Marketing businesses and Branded3 were merged to create a new agency, Edit, that is now able to offer a single data offering to its clients. The goodwill of these CGUs has been combined to better reflect this new proposition. In the prior period the Data Marketing CGU represented Occam and Response One.

Amaze and Realise continue to work closely under a single brand, AmazeRealise, and a common management structure. The goodwill of these CGUs has been combined under AmazeRealise.

At the period end Pragma acquired the trading assets and liabilities held by Fripp, Sandeman and Partners to enhance its retail offering and to benefit from the synergies generated by the merger. The goodwill related to Fripp, Sandeman and Partners of £0.7 million is now included within Pragma's goodwill.

The Group assessed these CGUs prior to the amalgamation of goodwill as defined above and no impairments were identified. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Current period

The recoverable amounts of the CGUs are determined using a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding discount rates, terminal growth rates and cash flow forecasts in the medium term. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cash flow forecasts derived from five-year forecasts. These include Board approved two year forecasts for the financial periods 2019 and 2020 and forecasts based on a nominal revenue growth rate of 2.6% for the financial periods 2021, 2022 and 2023. The rate is calculated using a real growth rate of 0.6% and a long-term inflation rate of 2.0% (in line with the Bank of England's target for this measure), giving a nominal growth rate of 2.6%. A terminal nominal growth rate of 2.0% (2017 – 2.6%) has been used in the value-in-use calculation to derive the terminal value for each CGU.

The pre-tax discount rate used for all the CGUs, other than Solstice, was 10.7% (2017 – 10.7%). The pre-tax discount rate used for Solstice, a US based subsidiary, was 12.6% (2017 – 11.8%).

The key assumptions used in the value-in-use calculations and the sensitivities to short-term revenue growth and pre-tax discount rate assumptions are detailed below.

	Value-in-use assumptions:		Sensitivity of value-in-use to changes in key growth assumption:	
	Pre-tax discount rate	Excess of value-in-use over carrying value (£'000)	Cumulative revenue decline in five-year forecast calculation resulting in potential impairment	Increase to pre-tax discount rate resulting in potential impairment
AmazeRealise	10.7%	79,451	27.3%	18.9%
Edit	10.7%	4,402	4.2%	1.4%
Hive	10.7%	Nil	–	–
Incite	10.7%	26,628	99.4%	102.9%
Pragma	10.7%	17,161	84.4%	80.4%
Solstice	12.6%	92,053	50.3%	51.9%
The App Business	10.7%	79,152	39.0%	43.4%

Reasonably possible changes in key assumptions:

During the period the Data Marketing businesses and Branded3 were consolidated under the Edit brand in order to best support the expanding digital and data requirements of clients. The current priority within Edit is to ensure that our offerings are fully compliant with, and so able to benefit from, the new General Data Protection Rules (GDPR) which were implemented in May 2018. As at the reporting date, the long-term impact of the introduction of GDPR continues to be uncertain. The impact could have the potential to negatively impact the sector and so affect our five-year forecasts and projected revenue growth rates.

An impairment of £9.6 million was recorded against Hive's goodwill in the period due to a decline in revenue. Since the period end Hive has experienced an increase in new business wins. However due to the evolving technologies in the Health sector and given that the projected revenue growth for Hive is dependent on a number of key clients, the loss of a key client, could potentially result in a further goodwill impairment of up to £5.5 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Goodwill and Other Intangible Assets continued

Other intangible assets

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Trademarks £'000	Total £'000
Cost:					
At 29 July 2016	11,046	36,466	45,915	3,231	96,658
Additions	311	-	-	-	311
Disposals	(207)	-	-	-	(207)
Foreign exchange	-	23	121	13	157
At 28 July 2017	11,150	36,489	46,036	3,244	96,919
Additions	149	-	-	-	149
Disposals – discontinued operations (note 8)	(4,055)	(6,840)	-	-	(10,895)
Disposals – continuing operations	(302)	-	-	-	(302)
Foreign exchange	3	14	79	7	103
At 3 August 2018	6,945	29,663	46,115	3,251	85,974
Accumulated amortisation:					
At 29 July 2016	9,767	22,125	11,090	442	43,424
Charge for the period	675	3,769	5,834	346	10,624
Impairment	308	-	-	-	308
Disposals	(207)	-	-	-	(207)
Foreign exchange	-	(7)	(14)	(1)	(22)
At 28 July 2017	10,543	25,887	16,910	787	54,127
Charge for the period	271	3,291	4,799	322	8,683
Impairment (note 7)	-	-	2,518	-	2,518
Disposals – discontinued operations (note 8)	(4,043)	(6,840)	-	-	(10,883)
Disposals – continuing operations	(289)	-	-	-	(289)
Impairment – discontinued operations (note 8)	23	221	-	-	244
Foreign exchange	-	25	53	3	81
At 3 August 2018	6,505	22,584	24,280	1,112	54,481
Net book value:					
At 3 August 2018	440	7,079	21,835	2,139	31,493
At 28 July 2017	607	10,602	29,126	2,457	42,792

Impairments to other intangibles relating to the proprietary techniques in Hive and Fripp, Sandeman and Partners are detailed in note 7.

The research and development costs incurred during the period were estimated at £1.1 million.

Customer relationship assets include customer contracts, order backlogs and non-contractual customer relationships. Proprietary techniques include models, algorithms and processes that are used to generate revenue from customers. These assets are recorded at fair value at the date of acquisition and are amortised over their estimated useful lives. Material customer relationships and proprietary techniques are disclosed below.

	Remaining Amortisation Period (Months)	2018 £'000	2017 £'000
Customer relationships:			
AmazeRealise	44	1,767	2,249
Edit	37	3,467	4,398
Incite	19	1,565	2,553
Solstice	7	280	755
TAB	-	-	298
Other customer relationships	-	-	349
		7,079	10,602

	Remaining Amortisation Period (Months)	2018 £'000	2017 £'000
Proprietary techniques:			
AmazeRealise	67	4,892	5,768
Hive	-	-	3,026
Pragma	50	1,004	1,244
Solstice	79	6,718	7,679
TAB	90	9,221	10,450
Other proprietary techniques	-	-	959
		21,835	29,126

19. Available For Sale Asset

	2018 £'000	2017 £'000
Carried at fair value:		
Unlisted ordinary shares	3	3
Total non-current financial asset	3	3

As at 3 August 2018, the Group held a non-controlling interest of 9.0% in Ebeltoft Corporation Limited. These shares are not held for trading and accordingly are classified as available for sale.

20. Investment in Joint Arrangement

	Share of net assets of joint arrangement £'000
Balance at 28 July 2017	517
Dividend	(382)
Loan repayment	(494)
Share of results of joint arrangement	569
Foreign exchange	13
Balance at 3 August 2018	223

The Group holds a 50% interest in Loop Integration LLC, incorporated in Chicago, USA. The principal operation of the company is an ecommerce consultancy specialising in Hybris software integration. During the period, Loop repaid £0.5 million of loans to the Group and paid a dividend of £0.4 million.

21. Inventories

	2018 £'000	2017 £'000
Raw materials	-	3,762
Work-in-progress	-	1,927
Finished products	-	564
	-	6,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. Other Financial Assets**Trade and other receivables**

	2018 £'000	2017 £'000
Amounts receivable for the sale of goods and services	25,859	72,501
Allowance for doubtful debts	(1,456)	(1,991)
Trade receivables	24,403	70,510
Accrued income	10,687	11,905
Other receivables	251	2,396
Prepayments and other assets	5,110	6,252
	40,451	91,063

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Non-current assets

	2018 £'000	2017 £'000
Other receivables	13	13

Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	14,398	25,651

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less. The carrying amounts of these assets approximate to their fair value.

23. Derivative Financial Instruments**Derivative financial assets**

	2018 £'000	2017 £'000
Forward foreign currency contracts	291	45

Derivative financial liabilities

	2018 £'000	2017 £'000
Forward foreign currency contracts	62	17

All forward foreign currency contracts are designated and effective as hedging instruments.

24. Trade and Other Payables

	2018 £'000	2017 £'000
Trade payables	8,920	41,733
Accruals for goods and services	9,366	14,860
Other taxes, social security and employee related liabilities	12,772	16,981
Other payables	4,793	5,965
	35,851	79,539

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

25. Loans

	2018 £'000	2017 £'000
Bank loans (all repayable within six months):		
Current liabilities	40,363	–
Non-current liabilities	–	80,245

Bank loans

During the current period the Group reduced its revolving credit facility from £125 million to £95 million. Up to £15 million could be drawn as an overdraft facility. Interest on loan drawdowns was charged at LIBOR plus a margin which varies between 1.65% and 2.60%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns was charged at 1.65% over UK base rate.

As at 3 August 2018, the Group's outstanding loans within this facility were £40.4 million (2017 – £80.2 million). The undrawn portion of this facility at 3 August 2018 was £54.6 million (2017 – £44.8 million).

Subsequent to the period end, the Group entered into a new revolving loan credit facility of £85.0 million, replacing the previous loan facility, which is due to expire on 30 November 2022.

The Directors consider that the carrying amount of the loans approximates to their fair value.

26. Deferred Income

	2018 £'000	2017 £'000
Advance billings and other deferred income	4,915	7,141

27. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 29 July 2016	2,185	31	2,216
Charged to the Consolidated Income Statement	106	850	956
Utilised during the period	(80)	(881)	(961)
Balance at 28 July 2017	2,211	–	2,211
Charged to the Consolidated Income Statement	111	1,290	1,401
Discontinued operations – disposal	(844)	–	(844)
Balance at 3 August 2018	1,478	1,290	2,768
Current	96	823	919
Non-current	1,382	467	1,849
	1,478	1,290	2,768

Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, a provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2019 and 2025.

Provision for reorganisation

The provision for reorganisation comprises redundancy payments, onerous property and other costs of which £0.8 million is payable within 12 months and £0.5 million is payable between 2020 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Deferred Tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 17% for UK operations (2017 – 17%) and 33.83% for US operations (2017 – 40.13%).

The net movement in the deferred tax assets and deferred tax liabilities is as follows:

	2018 £'000	2017 £'000
At the beginning of the period	921	3,259
Disposal – discontinued operations	1,208	–
Credit to the Consolidated Income Statement (note 11)	(2,501)	(4,540)
Items taken to Other Comprehensive Income (note 11)	2,989	2,132
Items taken directly to equity (note 11)	74	63
Foreign exchange	363	7
At the end of the period	3,054	921

The individual movements in deferred tax liabilities/(assets) are as follows:

	Accelerated tax depreciation £'000	Retirement benefits obligations £'000	Rolled over capital gains £'000	Short-term timing differences £'000	Share options £'000	Acquired intangible assets £'000	Total £'000
Balance at 29 July 2016	1,875	(4,751)	81	(818)	(107)	6,979	3,259
(Credit)/charge to the Consolidated Income Statement	(2,078)	(108)	(12)	(242)	14	(2,114)	(4,540)
Items taken directly to Other Comprehensive Income	–	2,132	–	–	–	–	2,132
Items taken directly to equity	–	–	–	–	63	–	63
Foreign exchange	2	–	–	–	–	5	7
Balance at 28 July 2017	(201)	(2,727)	69	(1,060)	(30)	4,870	921
Disposal – discontinued operations	1,129	–	–	116	–	(37)	1,208
(Credit)/charge to the Consolidated Income Statement	(153)	54	–	(202)	(223)	(1,977)	(2,501)
Items taken directly to Other Comprehensive Income	–	2,989	–	–	–	–	2,989
Items taken directly to equity	–	–	–	–	74	–	74
Foreign exchange	(8)	–	–	–	–	371	363
Balance at 3 August 2018	767	316	69	(1,146)	(179)	3,227	3,054

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	2018 £'000	2017 £'000
Deferred tax assets	(1,264)	(375)
Deferred tax liabilities	4,318	1,296
	3,054	921

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Unrecognised gross tax losses, all of which have an unlimited life, are as follows:

	2018 £'000	2017 £'000
Unrecognised trading losses	895	2,359
Unrecognised capital losses	15,113	10,782
	16,008	13,141

At the period end, the amount of future tax deductible charges in relation to goodwill amortisation in respect of which no deferred tax assets have been recognised is £21.5 million.

29. Retirement Benefits

Defined contribution schemes

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under control of the trustees. Payments to the schemes are expensed to the Consolidated Income Statement as they fall due. The total expense recognised in the Consolidated Income Statement for continuing operations of £2.0 million (2017 – £2.0 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 3 August 2018, contributions of £0.3 million (2017 – £0.6 million) due in respect of the 2018 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

St Ives Defined Benefits Pension Scheme

The Group operates the St Ives Defined Benefits Pension Scheme ('the Scheme') with assets held in separate trustee administered funds. Pension benefits are linked to a member's final salary at retirement and their length of service. The Scheme was closed to new entrants from 6 April 2002, and closed to future benefit accruals with effect from 31 August 2008.

The Scheme is a registered scheme under UK legislation and is contracted out of State Second Pension. Following the disposal of Clays Limited during the period, the Scheme has one current participating employer, Kin and Carta plc.

The Scheme was established from 30 September 1988 under trust and is governed by the Scheme's trust deed and rules dated 23 April 1991 and subsequent amendments. The directors of St Ives Pension Scheme Trustees Limited ('the Trustees') are responsible for the operation and the governance of the Scheme, including making decisions regarding the defined benefits pension scheme's funding and investment strategy in conjunction with the Company.

The most recent full actuarial valuations of the Scheme assets and the present value of the defined benefits obligations were carried out as at April 2016 by Jonathan Punter, Fellow of the Institute of Actuaries, of XPS Pension Group, who is independent of the Group. The valuation was updated as at 3 August 2018, and has been calculated on the method and principles agreed for the 6 April 2016 valuation but allowing for the market prices and yields at 3 August 2018 and updated membership data as at 3 August 2018.

The present value of the defined benefits obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations are as follows:

	2018 Per annum	2017 Per annum
Discount rate	2.70%	2.60%
Expected rate of inflation	3.05%	3.05%
Expected rate of salary increases	nil	nil
Future pension increases	2.90%	2.90%

Assumed life expectancies for retirement at age of 65 are as follows:

	2018		2017	
	Male	Female	Male	Female
Members retiring immediately	21.4	23.3	21.5	23.4
Members retiring in 20 years' time	22.8	24.9	22.9	24.9

The amount recognised in the Consolidated Balance Sheet in respect of the Group's Scheme is as follows:

	2018 £'000	2017 £'000
Present value of funded obligations	351,591	370,535
Fair value of the Scheme assets	(353,449)	(354,494)
Retirement benefits (surplus)/obligation	(1,858)	16,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. Retirement Benefits continued**St Ives Defined Benefits Pension Scheme continued**

Amounts recognised in the Consolidated Income Statement in respect of the Scheme as Adjusting Items are as follows:

	2018 £'000	2017 £'000
Scheme administrative costs (note 7)	617	756
Curtailment credit (note 7)	(1,261)	–
Interest expense on Scheme obligations (note 9)	9,359	9,074
Investment income on Scheme assets (note 9)	(9,035)	(8,436)
	(320)	1,394

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the Scheme are as follows:

	2018 £'000	2017 £'000
Net measurement – (gain)/losses – financial	(6,242)	14,225
Net measurement – losses/(gains) – experience	1,603	(2,440)
Net measurement – gains – demographic	(2,370)	(5,687)
Return on assets, in excess of interest income recorded in the Consolidated Income Statement	(3,949)	(15,056)
	(10,958)	(8,958)

Changes in the present value of the Scheme obligations are as follows:

	2018 £'000	2017 £'000
Opening defined benefits obligation	370,535	370,472
Interest cost	9,359	9,074
Net measurement – (gain)/losses – financial	(6,242)	14,225
Net measurement – gains – demographic	(2,370)	(5,687)
Net measurement – losses/(gains) – experience	1,603	(2,440)
Curtailment credit	(1,261)	–
Benefits paid	(20,033)	(15,109)
Closing defined benefits obligation	351,591	370,535

The Group disposed of its Books segment during the period. As a result of this sale, in-service members who were employed by the Books segment at 30 April 2018 became standard deferred members and lost their entitlement to the enhanced revaluation (an extra 0.5% p.a.) in future years up until their retirement date. We have therefore calculated the liabilities of these members as at 3 August 2018 as standard deferred members. The resulting reduction in liabilities has been shown as a curtailment credit in Adjusting Items in note 7.

The Group has an unconditional right to a refund of any surplus at the end of the Scheme's duration.

Changes in the fair value of the Scheme assets are as follows:

	2018 £'000	2017 £'000
Opening fair value of Scheme assets	354,494	344,078
Interest income on Scheme assets	9,035	8,436
Return on assets, in excess of interest income recorded in the Consolidated Income Statement	3,949	15,056
Contributions by employer	6,621	2,789
Benefits paid	(20,033)	(15,109)
Scheme administrative cost	(617)	(756)
Closing fair value of the Scheme assets	353,449	354,494

The fair value of the Scheme assets at the balance sheet date is analysed as follows:

	Value at 3 August 2018 £'000	Value at 28 July 2017 £'000
Equity instruments	188,686	196,081
Bonds	146,602	151,381
Other	18,161	7,032
	353,449	354,494

The Scheme's assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The Scheme exposes the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk and longevity risk. The defined benefits pension scheme does not expose the Group to any unusual scheme-specific or company-specific risk.

Investment risk: the Scheme holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long-term, any short-term volatility could cause additional funding to be required. Derivative contracts are used from time to time which would limit losses in the event of a fall in equity markets.

Interest rate risk: the Scheme's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised as an Adjusting Item in the Consolidated Income Statement is also calculated using the market rate of interest. The Scheme's swap investments are expected to provide a degree of protection from any movement in the market rate of interest.

Inflation risk: a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a hedge against inflation over the long term, rising inflation over the short-term could lead to an increase in the deficit. The Scheme's swap investments are expected to provide a degree of protection from any short-term inflationary movements.

Longevity risk: in the event that members live longer than assumed the liabilities may be understated, and thus increasing any deficit.

A sensitivity analysis of the principal assumptions used to measure the defined benefits pension obligation as at 3 August 2018 is analysed as follows:

	Change in assumption	Impact on the defined benefits pension obligation
Discount rate	Increase by 0.5%	Decrease by 8%
Rate of Inflation (RPI)	Increase by 0.5%	Increase by 6%
Assumed life expectancy at age 65	Increase by 1 year	Increase by 4%

The Scheme's investment strategy is to invest broadly 65% in return-seeking assets and 35% in matching assets (mainly government bonds). The strategy reflects the Scheme's liability profile and the Trustees' and Group's attitude to risk.

As at 3 August 2018, 56% of the plan assets are quoted in active markets and 44% are unquoted.

The last funding valuation of the Scheme was as at 6 April 2016 and revealed a funding deficit of £42.8 million. The Company agreed to pay £3.4 million over the year to 31 March 2018 and then £2.6 million per year with a view to eliminating the shortfall by August 2026. The Company has also agreed to pay £0.4 million per year towards the cost of running the Scheme.

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 75 years. The average duration of the liabilities is approximately 20 years.

Following the disposal of the Books segment in the period, the Scheme has one current participating employer; Kin and Carta plc. Kin and Carta plc is responsible for paying all contributions to the Scheme. Kin and Carta plc is also liable for all the liabilities on wind-up or withdrawal from the Scheme in accordance with the Scheme's trust deed and rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. Financial Instruments

The financial instruments by category are as follows:

Financial instrument category	Note	Classification	Amortised cost £'000	Fair value through profit and loss £'000
Trade and other receivables	22	Loans and receivables	40,451	-
Cash and cash equivalents	22	Loans and receivables	14,398	-
Trade and other payables	24	Other financial liabilities	35,851	-
Derivative financial instruments – Assets	23	Derivative instrument	-	291
Derivative financial instruments – Liabilities	23	Derivative instrument	-	62
Deferred consideration payable	12	Other financial liabilities	-	21,170
Bank borrowings	25	Other financial liabilities	40,363	-

31. Financial Risk Management

The Group's Treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures reviewed and approved by the Board.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As at 3 August 2018, the Group's borrowings consisted of various loan drawdowns under the Group's revolving multicurrency loan facility and all of the Group's borrowings were set to mature within one to six months. The loan drawdowns are interest bearing and are recorded on an undiscounted basis. Under the terms of the new and previous facility the Group has the right to renew these borrowings until the expiration of the facility.

Interest rate risk

The Group carries a cash flow risk where there are changes in the interest rate levied on the Group's borrowings as currently interest on the Group's borrowings is at floating rates. The Group finances its operations through a mixture of retained earnings and bank borrowings. Group policy is to constantly review the exposure risk to interest rate fluctuations in relation to the risk as a proportion of Group earnings and wherever possible with matching short-term deposits of surplus funds. The Group is not subject to fair value interest rate risk as the majority of debt is at floating rates.

Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk by currency is set out below:

Financial assets subject to interest rate risk

	2018 £'000	2017 £'000
Sterling	1,499	18,341
US Dollar	11,865	5,563
Euro	799	1,477
Singapore Dollar	95	68
Argentine Peso	115	106
Chinese Yuan	25	96
	14,398	25,651

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at the relevant base rate.

Financial liabilities subject to interest rate risk

	2018 £'000	2017 £'000
Sterling bank loans	25,000	65,000
US Dollar bank loans	15,363	15,245
	40,363	80,245

The Group's financial liabilities comprise loan borrowings which bear interest at floating rates based upon Sterling and US Dollar LIBOR, and overdraft borrowings which bear interest at floating rates based upon UK bank base rate.

Interest rate sensitivity analysis

The analysis shows the additional charge to the Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period.

	2018 £'000	2017 £'000
100% movement in Sterling LIBOR	324	230

The changes would not have impacted other equity reserves as all interest bearing financial assets and liabilities are subject to floating interest rates and their fair values do not fluctuate with changes in interest rates.

Foreign exchange risk

From time to time the Group enters into contracts to supply services to customers trading in the following regions:

- Europe at prices denominated in Euros
- USA at prices denominated in US Dollars
- Singapore at prices denominated in Singapore Dollars
- China at prices denominated in Chinese Yuan

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with anticipated sale and purchase transactions.

Forward foreign exchange contracts have been used to hedge the exchange rate risk arising from these commitments which are designated as cash flow hedges. As at 3 August 2018, the aggregate amount of unrealised profits under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade receivables and anticipated sale transactions amounted to £0.3 million. It is anticipated that the sales receipts will occur in the 12 months following the balance sheet date.

The following table details the forward currency contracts outstanding at the period end:

	Average exchange rate Sterling : foreign currency	Foreign currency '000	Contract value £'000	Notional value £'000
Buy US Dollars (up to 12 months)	1.47	2,814	1,921	2,161
Sell Euros (up to 12 months)	1.13	1,849	1,634	1,646

Exchange rate sensitivity analysis

As at 3 August 2018, \$20 million dollars were drawn in US dollars on the revolving credit facility.

Subsequent to the period end, the Group exercised a forward contract in order to settle the final tranche of the deferred/contingent consideration relating to the acquisition of Solstice Consulting LLC of US\$4.4 million with a sterling equivalent of £3.1 million.

Both of these liabilities are subject to exchange rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. Financial Risk Management continued**Credit risk**

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance for all of its UK and US operations up to a maximum aggregate claim in any one year of £8.5 million. In addition, its UK subsidiaries' sales are principally with a large number of counterparties and customers in the UK, and are denominated in Sterling.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

Included in the Group's trade receivables balance are debtors with a carrying amount of £5.7 million (2017 – £6.0 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of impaired receivables

	2018 £'000	2017 £'000
Between 0 and 59 days	343	318
Between 60 and 89 days	430	3
Between 90 and 119 days	346	332
120 days and above	337	1,338
	1,456	1,991

Movement in the allowance for doubtful debts

	2018 £'000	2017 £'000
Balance at the beginning of the period	1,991	1,326
Impairment losses recognised	166	1,126
Amounts written off as uncollectible	-	(319)
Impairment losses reversed	(701)	(142)
Balance at the end of the period	1,456	1,991

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated, and being covered by credit insurance arrangements. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of past due but not impaired receivables

	2018 £'000	2017 £'000
Ageing of past due but not impaired:		
Between 0 and 59 days	5,199	4,826
Between 60 and 89 days	484	1,108
Between 90 and 119 days	-	100
	5,683	6,034

Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and, where necessary, short-term bank borrowings for working capital and longer-term borrowings for capital expenditure requirements. During the current period the Group reduced its revolving credit facility from £125.0 million to £95.0 million. Up to £15.0 million of this facility could be drawn as an overdraft facility. Subsequent to the year end, the Group has successfully negotiated a new revolving credit facility of £85.0 million, in replacement of the previous facility. The new facility agreement will expire on 30 November 2022. The new facility agreement includes an overdraft facility of £15.0 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 25.

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Board has reviewed and discussed the Group's funding requirements and concluded that the Group is well served by its current funding arrangements and does not see any need to adjust the Group's capital in order to meet its objectives.

During the current period the Group reduced its revolving credit facility from £125m to £95 million. Interest on loan drawdowns was charged at LIBOR plus a margin which varied between 1.65% and 2.60%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns was charged at 1.65% over UK base rate. Subsequent to the year end, the Group has successfully negotiated a new revolving credit facility of £85.0 million that will expire on 30 November 2022 on terms broadly in line with the previous agreement, which it replaced.

The Group is subject to covenants on its borrowings (further discussed in the Financial Review on pages 26 to 28) which could be considered an externally imposed capital requirement. The Board continually monitors the Group's performance against its banking covenants and undertakes monthly reviews of working capital, cash forecast, deferred/contingent consideration and headroom on banking covenants. At the period end the Group's leverage ratio was 1.1 times (2017 – 1.6 times) and interest cover was 8 times (2017 – 9 times). The Group has fully complied with the requirements of these covenants during the period under review and expects to continue to do so.

32. Share Capital

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 28 July 2017	142,844,676	14,284
Issued in the period	10,581,800	1,058
At 3 August 2018	153,426,476	15,343

All authorised and issued share capital is represented by equity shareholdings. The number of authorised and issued Kin and Carta plc ordinary shares as at 8 October 2018 was 153,426,476.

10,581,800 shares were issued during the period in respect of the deferred consideration payable in relation to the acquisition of Solstice and TAB, as detailed in note 12.

33. Additional Paid-in Capital

	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance at 29 July 2016	59,839	8,718	1,238	69,795
Transfer of contingent consideration deemed as remuneration	–	225	–	225
Settlement of share-based contingent consideration deemed as remuneration	398	–	–	398
Balance at 28 July 2017	60,237	8,943	1,238	70,418
Transfer of contingent consideration deemed as remuneration	–	119	–	119
Balance at 3 August 2018	60,237	9,062	1,238	70,537

The additional paid-in capital includes share premium, the capital redemption reserve and the merger reserve. The capital redemption reserve represents the buyback of the Kin and Carta plc ordinary shares in prior periods. The merger reserve was derived from acquisitions made in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. Other Reserves

Other reserves in the Consolidated Statement of Changes in Equity is made up of additional paid in capital as detailed in note 33 above along with the following:

ESOP reserve representing Kin and Carta plc ordinary shares held in the Group's Employee Benefit Trust.

A portfolio of treasury shares consisting of 90,636 Kin and Carta plc ordinary shares held by the Company as at 3 August 2018 (2017 – 90,636 Kin and Carta plc ordinary shares).

Share option reserve representing the cumulative charge related to the options granted to Group's employees on Kin and Carta plc ordinary shares.

Hedging and translation reserve which includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the Group's presentation in Sterling.

35. Notes to the Consolidated Cash Flow Statement**Reconciliation of cash generated from operations**

	2018 £'000	2017 £'000
Operating loss from continuing operations	(28,153)	(15,512)
Operating profit/(loss) from discontinued operations	3,850	(24,901)
Adjustments for:		
Depreciation of property, plant and equipment	3,905	6,149
Share of profit from joint arrangement	(569)	(355)
Disbursements from joint arrangement	876	–
Impairment losses related to continuing operations	12,082	33,058
Impairment losses related to discontinued operations (note 8)	18,833	–
Amortisation of intangible assets	8,683	10,624
Gain on disposal of subsidiaries (note 8)	(18,334)	–
Profit on disposal of property, plant and equipment	(1,501)	(2,818)
Share-based payment charge	1,274	70
Decrease in defined benefits pension scheme obligations	(7,882)	(2,789)
Re-measurement of deferred consideration	3,094	7,362
Charge for contingent consideration required to be treated as remuneration	23,994	15,550
Increase/(decrease) in provisions	1,402	(5)
Operating cash inflows before movements in working capital	21,554	26,433
Decrease/(increase) in receivables	9,620	(130)
Decrease in inventory	662	583
(Decrease)/increase in payables	(4,587)	2,852
(Decrease)/increase in deferred income	(1,401)	948
Cash generated from operations	25,848	30,686

Analysis of financing liabilities

	28 July 2017 £'000	Financing cash flow £'000	Non-cash changes		3 August 2018 £'000
			Transfer £'000	Foreign exchange gains/(losses) £'000	
Bank loans – non current	(80,245)	–	80,245	–	–
Bank loans – current	–	40,000	(80,245)	(118)	(40,363)
	(80,245)	40,000	–	(118)	(40,363)

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The effective interest rates on cash and cash equivalents are based on current market rates.

36. Capital and Other Commitments

At 3 August 2018, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2018 Land and buildings £'000	2018 Other £'000	2017 Land and buildings £'000	2017 Other £'000
Continuing Operations				
Within one year	7,378	51	6,715	54
Between one and five years	16,924	58	15,842	65
After five years	10,052	-	2,277	-
	34,354	109	24,834	119
Discontinued Operations				
Within one year	-	-	1,205	1,848
Between one and five years	-	-	2,591	4,603
After five years	-	-	-	179
	-	-	3,796	6,630
Continuing and Discontinued Operations				
Within one year	7,378	51	7,920	1,902
Between one and five years	16,924	58	18,433	4,668
After five years	10,052	-	2,277	179
	34,354	109	28,630	6,749

37. Share-based Payments

The Company operates a number of share-based payment schemes for certain employees of the Group.

Long-Term Incentive Plan 2010 ('LTIP')

Executive Directors and certain members of senior management have been granted nil-cost share options under the Company's Long-Term Incentive Plan. Details of the LTIP are included on page 66 of the Directors' Remuneration Report.

	2018 '000	2017 '000
Number of options		
Outstanding at the beginning of the period	3,230	2,643
Granted during the period	2,964	1,536
Lapsed during the period	(1,830)	(949)
Outstanding at the end of the period	4,364	3,230
Exercisable at the end of the period	-	-
Estimated % of options vesting over next three years	66%	0%

The fair value of the options granted in the current period under the LTIP scheme were measured using a Black-Scholes options pricing model. The inputs to the model are:

	LTIP
Weighted average mid-market share price	£1.03
Weighted average exercise price	£nil
Expected life	3 years
Expected volatility	28.31%
Risk free rate	2.00%
Dividend yield	5.00%
Weighted average fair value of the options	£1.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. Share-based Payments continued**Save As You Earn Share Option Plan ('Sharesave Plan')**

The Company has granted share options to eligible employees under an HMRC-approved all-employee Sharesave Plan. Details of the plan are included on page 67 of the Directors' Remuneration Report.

A reconciliation of the movement in the share options is shown below:

	Number of options		Weighted average exercise price	
	2018 '000	2017 '000	2018 £	2017 £
Outstanding at the beginning of the period	1,329	680	1.18	1.09
Granted during the period	-	1,335	-	1.18
Lapsed during the period	(410)	(282)	1.18	1.09
Exercised during the period	-	(404)	-	1.09
Outstanding at the end of the period	919	1,329	1.18	1.18
Exercisable at the end of the period	919	680	1.18	1.09
Estimated % of options vesting in future years	100%	100%		

In addition, the Group recognised a charge of £1.3 million (2017 – credit of £0.1 million) relating to equity-settled share-based payments other than in the context of acquisitions. The exercise price of options outstanding at 3 August 2018 ranges between £nil and £1.18.

Share-based contingent consideration required to be treated as remuneration

The Group recognised a share-based charge of £6.0 million (2017 – £7.0 million) relating to contingent consideration for acquisitions made in prior periods, which is recorded as part of deemed remuneration in Adjusting Items (note 7).

The Group acquired several entities in prior periods for which consideration was paid partly in the form of Kin and Carta plc ordinary shares. The shares were contingent on continuous employment of certain former shareholders and are treated as share-based payments, in accordance with IFRS 2. These are described as follows:

Realise Limited

	2018 '000	2017 '000
Number of options		
Outstanding at the beginning of the period	273	1,042
Vested during the period	(273)	(769)
Outstanding at the end of the period	-	273
Exercisable at the end of the period	-	-
Estimated % of options vesting over next three years	-	100%

The Health Hive Group Limited

	2018 '000	2017 '000
Number of options		
Outstanding at the beginning of the period	384	1,358
Lapsed during the period	-	(6)
Vested during the period	(384)	(968)
Outstanding at the end of the period	-	384
Exercisable at the end of the period	-	-
Estimated % of options vesting over next three years	-	100%

Solstice Consulting LLC

	2018 '000	2017 '000
Number of options		
Outstanding at the beginning of the period	7,058	7,873
Lapsed during the period	(2,161)	-
Exercised during the period	(4,897)	(815)
Outstanding at the end of the period	-	7,058
Exercisable at the end of the period	-	-
Estimated % of options vesting over in future years	-	100%

Fripp, Sandeman and Partners Limited

	2018 '000	2017 '000
Number of options		
Outstanding at the beginning of the period	206	274
Granted during the period	-	-
Vested during the period	(206)	(68)
Outstanding at the end of the period	-	206
Exercisable at the end of the period	-	-
Estimated % of options vesting over in future years	-	100%

The App Business Limited

	2018 '000	2017 '000
Number of options		
Outstanding at the beginning of the period	6,984	7,587
Lapsed during the period	(1,299)	-
Exercised during the period	(1,607)	(603)
Outstanding at the end of the period	4,078	6,984
Exercisable at the end of the period	-	-
Estimated % of options vesting over next three years	100%	100%

The fair value of the options granted were measured using a Black-Scholes option pricing model. The inputs to the model were:

	2018
Weighted average mid-market share price	£1.39
Weighted average exercise price	£nil
Expected life	24-48 months
Expected volatility	28.31%
Risk free rate	2%
Dividend yield	0%
Weighted average fair value of the options	£1.39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. Hedging and Translation Reserves**Hedging reserve and translation reserve**

The reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges and the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling.

Gains and losses transferred from the hedging and translation reserves into the Consolidated Income Statement during the period are included in the following line items in the Consolidated Income Statement:

	2018 £'000	2017 £'000
Revenue	265	(138)

39. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material related party transactions have been entered into during the current period, which might reasonably affect the decisions made by the users of these financial statements.

No other executive officers of the Company or their associates had material transactions with the Group during the period.

The Group earned revenue of £0.2 million (2017 – £ 0.8 million) from Loop Integration LLC and the Group incurred £19,000 charges (2017 – £Nil) for services received. The Group also received a dividend of £0.4 million (2017 – £nil). At the reporting date, Loop Integration LLC owed the Group £8,000 (2017 – £27,000) for services rendered.

Aggregate Directors' remuneration

The Group considers the Directors of Kin and Carta plc to be the key management personnel. The total amounts for Directors' remuneration were as follows:

	2018 £'000	2017 £'000
Short-term employee benefits	1,564	962
Post-employment benefits	95	95
	1,659	1,057

40. Post Balance Sheet Event

Subsequent to the year end, the Group has successfully negotiated a new revolving credit facility of £85.0 million that will expire on 30 November 2022 on terms broadly in line with the previous agreement.

41. List of Undertakings

As at 3 August 2018, the principal trading subsidiaries which are 100% owned directly or indirectly by the Company, are shown below:

		Nature of business	Location	Place of incorporation
Amaze Limited	a	Digital Transformation	Manchester & other UK sites	England and Wales
Amaze Europe Limited	a	Digital Transformation	Manchester & other UK sites	England and Wales
Amaze Communication Services Limited	a	Digital Transformation	Manchester & other UK sites	England and Wales
Branded3 Search Limited	a	Digital Transformation	Leeds	England and Wales
eBee Limited	a	Digital Transformation	London	England and Wales
Fripp, Sandeman and Partners Limited	a	Digital Transformation	High Wycombe	England and Wales
Incite Marketing Planning Limited	a	Digital Transformation	London	England and Wales
Incite Marketing Planning Singapore PTE. LTD	c	Digital Transformation	Singapore	Singapore
Incite New York LLC	d	Digital Transformation	New York	United States of America
My Bench Limited	a	Digital Transformation	Bath & other UK sites	England and Wales
Occam DM Limited	a	Digital Transformation	Bath	England and Wales
Pollen Health Limited	a	Digital Transformation	London	England and Wales
Pragma Consulting Limited	a	Digital Transformation	London	England and Wales
Realise Limited	e	Digital Transformation	Edinburgh	Scotland
Edit Agency Limited	a	Digital Transformation	Bath	England and Wales
Solstice Consulting LLC	f	Digital Transformation	Illinois	United States of America
Solstice Mobile Argentina Srl	g	Digital Transformation	Buenos Aires	Argentina
The App Business Limited	a	Digital Transformation	London	England and Wales
The Health Hive Limited	a	Digital Transformation	London	England and Wales

In addition, the Company held, directly or indirectly, a number of 100% owned non-trading companies as at 3 August 2018:

Amaze (Holdings) Limited	a	St Ives Direct Limited	a
Amaze Communication Services (Holdings) Limited	a	St Ives Direct Edenbridge Limited	a
Amaze Technology Limited	a	St Ives Direct Leeds Limited	a
Kin + Carta Limited	a	St Ives Financial Limited	a
Okana Systems Limited	a	St Ives Holdings Limited	a
Pragma Holdings Limited	a	St Ives Illinois LLC	a
Pragma Consulting US LLC	d	St Ives Marketing Services (Delaware) LLC	d
Realise Holdings Limited	e	St Ives Marketing Services Limited	a
Relish Agency Limited	a	St Ives Pension Scheme Trustees Limited	a
Response One Holdings Limited	a	St Ives Shelf Limited	a
Solstice Consulting Argentina LLC	f	St Ives Westerham Press Limited	a
Solstice Consulting Latin America LLC	f	The Health Hive (US) LLC	a
SouthWest Mailing Limited	a	The Health Hive Group Limited	a
St Ives Blackburn Limited	a	Incite Marketing Planning (Shanghai) Co. Ltd	b

a – Registered office; One Tudor Street, London EC4Y 0AH, United Kingdom

b – Registered office; Room 2207B, 22/F, Tower III, No. 1228 Middle Yan An Road, Jing An District, Shanghai, People's Republic of China

c – Registered office; 36 Armenian Street #04-02 Singapore 179934

d – Registered office; 125 Park Avenue, New York, NY10017, United States of America

e – Registered office; Quay House, 142 Commercial Street, Edinburgh EH6 6LB, United Kingdom

f – Registered office; 111 N Canal St, Suite 500, Chicago, IL 60606, United States of America

g – Registered office; Solstice Argentina, Aguirre 1169, Ciudad Autonoma de Buenos Aires, Argentina

COMPANY BALANCE SHEET

Registered in England & Wales; No. 155213

	Note	3 August 2018 £'000	28 July 2017 £'000
Fixed assets			
Tangible assets	5	1,159	506
Intangible assets	6	198	305
Investment property	7	4,618	11,617
Investments	9	227,821	277,595
Retirement benefit surplus	14	1,858	-
		235,654	290,023
Current assets			
Debtors			
Due within one year	10	7,915	6,495
Due after more than one year	10	-	1,762
Derivative financial instruments	11	291	-
Assets held for sale	8	5,281	147
		13,487	8,404
Creditors: Amounts falling due within one year			
Bank loans and overdrafts	13	(66,370)	(25,843)
Trade and other creditors	12	(34,097)	(16,567)
Derivative financial instruments	11	(8)	(17)
		(86,988)	(34,023)
Net current liabilities			
		148,666	256,000
Creditors: Amounts falling due after more than one year			
Bank loans and overdrafts	13	-	(80,245)
Deferred tax	12	(1,103)	-
Provisions	14	(1,187)	(60)
Retirement benefit obligation	14	-	(16,041)
		146,376	159,654
Net assets			
Capital and reserves			
Share capital	15	15,343	14,284
Share premium account	15	60,237	60,237
Other reserves	16	17,287	17,918
Profit and loss account		53,509	67,215
		146,376	159,654

The loss for the financial period for the Company was £27.2 million (2017 – £0.6 million).

These financial statements were approved by the Board of Directors on 8 October 2018 and signed on its behalf by



J Schwan
Chief Executive Officer



Brad Gray
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Treasury shares £'000	Share option reserve £'000	Profit and loss account £'000	Total £'000
Balance at 29 July 2016	14,244	59,839	8,718	1,238	(163)	6,723	63,300	153,899
Loss for the period	-	-	-	-	-	-	(648)	(648)
Other comprehensive income								
Actuarial gain on defined benefits pension scheme	-	-	-	-	-	-	8,958	8,958
Tax charge on items taken directly to equity	-	-	-	-	-	-	(1,568)	(1,568)
Total comprehensive income	-	-	-	-	-	-	6,742	6,742
Dividends	-	-	-	-	-	-	(8,705)	(8,705)
Recognition of share-based contingent consideration deemed as remuneration	-	-	-	-	-	6,969	-	6,969
Transfer of share-based contingent consideration deemed as remuneration	-	-	225	-	-	(5,676)	5,754	303
Recognition of share-based payments	-	-	-	-	-	70	-	70
Settlement of share-based payments	40	398	-	-	-	(123)	124	439
Tax on share-based payments	-	-	-	-	-	(63)	-	(63)
Balance at 28 July 2017	14,284	60,237	8,943	1,238	(163)	7,900	67,215	159,654
Loss for the period	-	-	-	-	-	-	(27,156)	(27,156)
Other comprehensive expense								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gain on defined benefits pension scheme	-	-	-	-	-	-	10,958	10,958
Tax charge on items taken directly to equity	-	-	-	-	-	-	(1,731)	(1,731)
Total comprehensive expense	-	-	-	-	-	-	(17,929)	(17,929)
Dividends	-	-	-	-	-	-	(2,784)	(2,784)
Recognition of share-based contingent consideration deemed as remuneration	-	-	-	-	-	6,016	-	6,016
Transfer of share-based contingent consideration deemed as remuneration	-	-	119	-	-	(6,865)	6,965	219
Recognition of share-based payments	-	-	-	-	-	1,274	-	1,274
Settlement of share-based payments	1,059	-	-	-	-	(1,101)	42	-
Tax on share-based payments	-	-	-	-	-	(74)	-	(74)
Balance at 3 August 2018	15,343	60,237	9,062	1,238	(163)	7,150	53,509	146,376

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting Policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Financial Reporting Standard 1 – reduced disclosure exemptions

The Company is taking advantage of the applicable disclosure exemptions permitted by FRS 101 in its financial statements, which are summarised below:

Standard	Disclosure exemption
IFRS 2, 'Share-based Payment'	<ul style="list-style-type: none"> • Para 45(b) – number and weighted average exercise prices of share options • Para 46-52 – fair value disclosures for share options
IFRS 7, 'Financial Instruments: Disclosures'	<ul style="list-style-type: none"> • Full exemption
IFRS 13, 'Fair Value Measurement'	<ul style="list-style-type: none"> • Para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1, 'Presentation of the Financial Statements'	<ul style="list-style-type: none"> • Para 10(d) – statement of cash flows • Para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements • Para 16 – statement of compliance with all IFRS • Para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1 • Para 38A – requirement for minimum of two primary statements, including cash flow statements • Para 38B-D – additional comparative information • Para 40A-D – requirements for a third statement of financial position • Para 111 – cash flow statement information • Para 134-136 – capital management disclosures
IAS 7, 'Statement of Cash Flows'	<ul style="list-style-type: none"> • Full exemption
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	<ul style="list-style-type: none"> • Para 30 & 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
IAS 24, 'Related Party Disclosures'	<ul style="list-style-type: none"> • Para 17 and 18A – key management compensation • The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in this Annual Report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

The disclosures are given in the Consolidated Financial Statements on pages 103 to 149 and notes 1 to 41.

The principal accounting policies adopted are the same as those set out in note 2 to the Consolidated Financial Statements except as noted below.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements under the historical cost convention. Further detail is contained in the Directors' Report on pages 81 to 84.

(a) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. Profit from Operations

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The loss for the financial period for the Company was £27.2 million (2017 – £0.6 million).

3. Auditor's Remuneration

Fees paid to the auditors in respect of their audit of the Company were £185,000 (2017 – £143,000).

4. Employee Information

The average monthly number of employees (including Executive Directors) was:

	2018 Number	2017 Number
Sales	–	2
Administration	65	67
	65	69

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	5,151	4,079
Social security costs	392	380
Other pension costs	88	75
Share-based payment	1,274	70
	6,905	4,604

The 2017 Wages and Salaries figure has been correctly presented to exclude the pension recovery credit which was recorded as relating to Wages and Salaries in the 2017 Financial Statements. This change does not affect the 2017 Profit and Loss account.

Disclosure of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Directors' Remuneration Report on pages 63 to 80 and form part of these parent company financial statements. Further details of share-based payments are contained in note 37 in the notes to the Consolidated Financial Statements.

5. Tangible Fixed Assets

	Land and buildings Short leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost:				
At 29 July 2016	659	2,357	319	3,335
Additions	–	49	–	49
Disposals	–	(450)	–	(450)
At 28 July 2017	659	1,956	319	2,934
Additions	41	54	716	811
Disposals	–	(46)	–	(46)
At 3 August 2018	700	1,964	1,035	3,699
Accumulated depreciation:				
At 29 July 2016	329	2,135	199	2,663
Charge	66	93	41	200
Disposals	–	(435)	–	(435)
At 28 July 2017	395	1,793	240	2,428
Charge	66	56	32	154
Disposals	–	(42)	–	(42)
At 3 August 2018	461	1,807	272	2,540
Net book value:				
At 3 August 2018	239	157	763	1,159
At 28 July 2017	264	163	79	506

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

6. Intangible Assets

	Software £'000
Cost:	
At 29 July 2016	2,468
Additions	50
Disposals	(201)
At 28 July 2017	2,317
Additions	18
Disposals	(1)
At 3 August 2018	2,334
Accumulated depreciation:	
At 29 July 2016	2,043
Charge	170
Disposals	(201)
At 28 July 2017	2,012
Charge	125
Disposals	(1)
At 3 August 2018	2,136
Net book value:	
At 3 August 2018	198
At 28 July 2017	305

7. Investment Property

	Investment property £'000
Cost:	
At 29 July 2016	28,029
Disposals	(13,059)
Reclassification to assets held for sale	(148)
Transfers from subsidiaries	397
At 28 July 2017	15,219
Disposals	(1,599)
Reclassification to assets held for sale	(6,427)
At 3 August 2018	7,193
Accumulated depreciation:	
At 29 July 2016	8,764
Charge	483
Disposals	(5,644)
Reclassification to assets held for sale	(1)
At 28 July 2017	3,602
Charge	267
Disposals	(148)
Reclassification to assets held for sale	(1,146)
At 3 August 2018	2,575
Net book value:	
At 3 August 2018	4,618
At 28 July 2017	11,617

As at 3 August 2018, the fair value of investment properties is not materially different from its net book value of £4.6 million. This was arrived at on the basis of a valuation carried out by Matthews & Goodman, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

The Company has freehold land with a net book value of £2.2 million (2017 – £2.2 million), of which £0.2 million is classified as investment property and £2.0 million is classified as asset held for sale (note 8). These assets have not been depreciated.

The investment property is leased to Clays Limited. This company was disposed of by the Group during the period.

Rental income of £1.2 million (2017 – £2.2 million) in relation to the investment properties has been recorded in the profit and loss account in the current period.

8. Asset Held for Sale

Following the disposal of SP Group and the acquirer giving notice on a lease on a property owned by the Group, the property is being marketed for sale and is classified as an asset held for sale, with a carrying value of £5.3 million. This is set out in note 17 of the Consolidated Financial Statements.

9. Investments Held as Fixed Assets

	Shares in subsidiaries at cost £'000	Loans to subsidiaries £'000	Total £'000
At 29 July 2017	96,751	180,844	277,595
Additions	602	–	602
Impairment	(18,513)	–	(18,513)
Loan advances	–	39,308	39,308
Loan repayments	–	(71,554)	(71,554)
Foreign exchange revaluation	–	383	383
At 3 August 2018	78,840	148,981	227,821

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 41 of the Consolidated Financial Statements.

The impairment relates to the Company's investment in The Health Hive Group which suffered a fall in revenue during the period. Further details are set out in note 7 to the Consolidated Financial Statements.

10. Debtors

	2018 £'000	2017 £'000
Within one year		
Amounts owed by Group undertakings	5,395	4,088
Other debtors	361	680
Corporation tax recoverable	1,413	720
Prepayments and accrued income	746	1,007
	7,915	6,495
After more than one year		
Deferred tax	–	1,762

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

11. Derivative Financial Instruments

Derivative financial assets

	2018 £'000	2017 £'000
Forward foreign currency contracts	291	–

Derivative financial liabilities

	2018 £'000	2017 £'000
Forward foreign currency contracts	8	17

12. Creditors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Bank loans and overdrafts (note 13)	66,370	25,843

Trade and other creditors

Amounts owing to Group undertakings	5,933	5,105
Consideration payable on purchase of subsidiaries	17,818	6,249
Trade creditors	1,031	757
Tax and social security	888	581
Other creditors	6,490	2,467
Accruals and deferred income	1,937	1,408
	34,097	16,567

	2018 £'000	2017 £'000
--	---------------	---------------

Amounts falling due after more than one year:

Bank loans and overdrafts (note 13)	–	80,245
Deferred tax	1,103	–
	1,103	80,245

The net deferred tax (liabilities)/assets provided in the Financial Statements are as follows:

	2018 £'000	2017 £'000
Capital allowances in excess of depreciation	(458)	(438)
Temporary differences on share options	178	30
Other timing differences	(507)	(557)
Retirement benefits obligations	(316)	2,727
	(1,103)	1,762

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. In the Finance Act 2016, the Government announced further reductions in the main tax rate down to 17% effective from 1 April 2020.

13. Borrowings and Finance Obligations

	2018 £'000	2017 £'000
Amounts falling due within one year		
Bank overdrafts	26,007	25,843
Bank loans	40,363	–
	66,370	25,843
Amounts falling due after more than one year		
Bank loans	–	80,245

Bank overdrafts and loans

During the current period the Group reduced its revolving credit facility from £125 million to £95 million. Up to £15 million could be drawn as an overdraft facility. Interest on loan drawdowns was charged at LIBOR plus a margin which varies between 1.65% and 2.60%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns was charged at 1.65% over UK bank base rate.

As at 3 August 2018, the Group's outstanding loans within this facility were £40.4 million (2017 – £80.2 million). The undrawn portion of this facility at 3 August 2018 was £54.6 million (2017 – £44.8 million).

Subsequent to the period end, the Group entered into a new revolving loan credit facility of £85.0 million which replaced the previous facility. The new facility is due to expire on 30 November 2022. Up to £15 million may be drawn as an overdraft facility.

The Company's overdraft is guaranteed by certain UK subsidiary undertakings and the Company guarantees the loans and overdrafts of those UK subsidiary undertakings. At 3 August 2018, the aggregate liability for the Company under this guarantee amounted to £66.8 million (2017 – £108.0 million). The aggregate value of overdraft liabilities belonging to these subsidiaries which are guaranteed by the Company amounted to £nil (2017 – £0.5 million).

As at 3 August 2018, there was no loan or overdraft secured against the assets of the Company (2017 – £Nil). The Directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain property landlords, and specific suppliers and customers of its trading subsidiaries. The maximum aggregate liability under these financial guarantees is £31.1 million (2017 – £22.3 million).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

14. Provisions for Liabilities

	2018 £'000	2017 £'000
Provision for repairs	420	60
Provision for reorganisation	767	–
	1,187	60
Retirement benefit (surplus)/obligation	(1,858)	16,041

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
At 29 July 2017	60	–	60
Credit to profit and loss account	360	767	1,127
At 3 August 2018	420	767	1,187

The provision for repairs at 3 August 2018 relates to the dilapidation of properties, for which the Company is responsible. Provisions held as at 3 August 2018 are estimated to be utilised between financial periods ending 2019 and 2021.

The provision for reorganisation provision comprises of onerous leases on properties.

The Company participates in both the defined benefits and defined contribution schemes operated by Kin and Carta plc. The assets and liabilities of the defined benefit scheme are held in separate trustee-administered funds. The pension costs are based on pension costs across the Group as a whole. For the defined contribution scheme, the profit and loss charge represents contributions payable.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures are included in note 29 of the notes to the Consolidated Financial Statements.

15. Called Up Share Capital and Share Premium Account

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 28 July 2017	142,844,676	14,284	60,237
Issue of share capital	10,581,800	1,058	–
At 28 July 2017	153,426,476	15,343	60,237

10,581,000 shares issued during the period were in respect of the deferred consideration payable in relation to the acquisition of Solstice and The App Business, as detailed in note 12 of the Consolidated Financial Statements.

All authorised and issued share capital is represented by equity shareholdings. Further information on equity can be found in note 32 of the Consolidated Financial Statements.

16. Other Reserves

The movements in reserves are disclosed in the Company's Statement of Changes in Equity.

As at 3 August 2018, the Company held a portfolio of treasury shares consisting of 90,636 ordinary shares.

Details of dividends can be found in note 13 to the Consolidated Financial Statements.

17. Operating Lease Commitments

At 3 August 2018, the Company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2018 Land and buildings £'000	2018 Other £'000	2017 Land and buildings £'000	2017 Other £'000
Within one year	414	10	414	8
Between one and five years	517	8	930	8
	931	18	1,344	16

18. Related Party Transactions

Details on related party transactions can be found in note 39 to the Consolidated Financial Statements.

19. Statement of Guarantee

The Company has signed a statement of guarantee in respect of a number of subsidiary companies under section 479C of the Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of s479A of that Act:

Company	Company registration number
Amaze (Holdings) Limited	06417738
Amaze Communication Services (Holdings) Limited	02670935
Amaze Communication Services Limited	02051287
Amaze (Europe) Limited	06418202
Branded3 Search Limited	06479012
eBee Limited	06844490
Fripp, Sandeman and Partners Limited	01284879
The Health Hive Limited	06423579
Kin + Carta Limited	11403627
My Bench Limited	09569438
Okana Systems Limited	03877530
Pollen Health Limited	07839170
Pragma Consulting Limited	02184185
Realise Holdings Limited	SC306420
Relish Agency Limited	11456907
Response One Holdings Limited	06724581
St Ives Blackburn Limited	01396772
St Ives Burnley Limited	05464477
St Ives Direct Leeds Limited	03067683
St Ives Holdings Limited	00190460
St Ives Marketing Services Limited	08417677
St Ives Shelf Limited	11442056
St Ives Westerham Press Limited	00483880

SHAREHOLDER INFORMATION

Corporate information

Further information about the Group can be found on our website: www.kinandcarta.com

This year's Annual Report and Accounts, as well as copies of past years' Annual Reports and Accounts, Half year Statements and Shareholder circulars, are available to view and download from our investor website. Regulatory announcements and press releases made during the year, and in past years, are also available to view in the Regulatory News section of the Shareholder Information area of the investor website at: www.investors.kinandcarta.com.

Should you wish to receive further copies of the Annual Report and Accounts, please contact the Company Secretary, Kin and Carta plc, One Tudor Street, London EC4Y 0AH.

Shares

Kin and Carta plc ordinary shares of 10 pence each are listed on the London Stock Exchange and trade under the symbol: KCT. Our International Securities Identification Number ('ISIN') is GB0007689002 and our Stock Exchange Daily Official List ('SEDOL') number is 768900.

Share price information and our latest regulatory announcements can be obtained from the Stock Exchange website, www.londonstockexchange.com.

Shareholding enquiries

Kin and Carta plc's register is maintained by Link Asset Services, who are able to deal with shareholders' queries, including in respect of any of the following matters:

- transfer of shares;
- change of name or address;
- registering the death of a shareholder;
- lost share certificates;
- lost or out of date dividend warrants; and
- the payment of dividends directly into a bank or building society accounts.

Their contact details are: Kin and Carta plc Shareholder Services, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Link's shareholder helpline telephone number is 0871 664 0300 (calls cost 12 pence per minute plus network extras). If calling from overseas, please telephone +44 (0) 371 664 0300. Lines are open from 9.00 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at shareholderenquiries@linkgroup.co.uk although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

Our principal advisers

Stockbrokers

Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT

Financial advisers

N.M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4N 8AL

Bankers

HSBC Bank plc, 60 Queen Victoria Street, London EC4N 4TR

Fifth Third Bank 68 King William Street London, United Kingdom EC4N 7DZ

The Governor and Company of the Bank of Ireland, Bow Bells House, 1 Bread Street, London, EC4M 9BE

Solicitors

Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG

Financial period ended 28 July 2017

Annual General Meeting 2017	30 November 2017
Record date for final dividend	24 November 2017
Payment date for final dividend of 1.30p per ordinary share	18 December 2017

Financial period ended 3 August 2018

Half year end	2 February 2018
Announcement of Half year results	7 March 2018
Record date for interim dividend	6 April 2018
Payment date for interim dividend of 0.65p per ordinary share	4 May 2018
Financial year end	3 August 2018
Announcement of Full year results	9 October 2018
Annual General Meeting 2018	29 November 2018
Ex-dividend date	22 November 2018
Record date for proposed final dividend	23 November 2018
Payment date for proposed final dividend of 1.30p per ordinary share	17 December 2018*

Financial period ending 31 July 2019

Half year end	31 January 2019
Announcement of Half year results	March 2019
Financial year end	31 July 2019

* If approved by shareholders at the 2018 Annual General Meeting the proposed final dividend will be paid on 17 December 2018.

Dividend Reinvestment Plan

The Dividend Reinvestment plan can be a convenient and easy way to build up your shareholding by using your cash dividends to buy more shares in the Company. The Plan is provided by Link Asset Services ('Link'), a trading name of Link Market Services Trustees Limited, which is authorised and regulated by the Financial Conduct Authority ('FCA').

Should you require any further information, please do not hesitate to contact Link Asset Services on 0871 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m. Monday to Friday excluding, public holidays in England and Wales. Alternatively please email shares@linkgroup.co.uk or log on to www.kinandcarta-shares.co.uk.

Unauthorised brokers ('Boiler Room Scams')

It is very unlikely that a reputable authorised firm that a shareholder has had no relationship with would make contact out of the blue offering to buy Kin and Carta plc's shares or offer other investment opportunities.

Therefore, shareholders are advised to be wary of anyone offering to give unsolicited advice, buy shares at a discount or give free company reports. These calls are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what are often worthless or high risk shares in US or UK investments. This sharp practice is commonly known as a 'boiler room scam'. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before taking any action by visiting: www.fsa.gov.uk/register/home.do;
- report the matter to the FCA either by calling their Consumer Helpline (0800 111 6768) or by completing an online form at: www.fca.org.uk/scams; and
- if calls persist, hang up.

NOTES

Kin and Carta plc
Registered in England & Wales No.
1552113
Registered office
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