KIN+CARTA

Annual Report and Accounts 2019

DELIVERING DIGITAL TRANSFORMATION

2019 HIGHLIGHTS

Revenue

£172.9m

Adjusted Profit Before Tax[4]

£17.6m

Statutory Profit/(Loss) Before Tax

£1.8m

2019 £1.8m

£(31.2)m 2018

Full Year Dividend

1.95p

2019 1.95p

2018 1.95p

Net Revenue[2, 4]

£148.0m

2019 £148.0m

2018 £149.7m

Adjusted Basic Earnings Per Share[4]

9.22p

Statutory Basic Earnings/(Loss) Per Share

0.73p

2019 0.73p

(22.09p) 2018

FINANCIAL HIGHLIGHTS

- Like-for-like[1] net revenue of £148.0 million[3], up 2% compared to the prior year
- Adjusted profit before tax of £17.6 million[3]; down 2.5% compared to the prior year, which includes previously announced £3 million of growth investments
- Adjusted operating margin 13% of net revenue (2018: 14%)[3]
- Statutory profit before tax of £1.8 million (2018: loss of £31.2 million)
- Net debt £38.4 million (2018: £26.0 million), representing a net debt to Adjusted EBITDA ratio of 1.68 times
- Full year dividend maintained at 1.95 pence per share

OPERATIONAL HIGHLIGHTS

- A year of continued transformation and investment to capture the Digital Transformation ('DX') growth opportunity
- Improved performance in Strategy pillar (16% of net revenue)
- Ongoing double-digit growth in Innovation (56% of net revenue)
- Stabilisation of Communications (28% of net revenue)
- Growth investments gaining traction: 40 Connective deals signed in the period including new clients Barclays, Blue Cross Blue Shield and Shell
- Growth investments included geographic expansion, building central sales, marketing and partnerships functions and implementing global financial and delivery systems
- Leadership team strengthened by the appointment of new Chairman with significant DX experience and CFO together with senior management appointments across the company

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Notes

1. Like-for-like net revenue is defined as the revenue from continuing operations using the same number of working days when comparing the current period to the prior period.
2. Net revenue is defined as gross revenue excluding all direct costs and third party expenses passed to clients (pages 36 to 41).
3. Further details are provided within the Alternative Performance Measure section (pages 36 to 41).
4. Adjusted results exclude Adjusting Items to enhance understanding of the ongoing financial performance of the Group. Adjusting Items comprise redundancies and 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 Company's Defined Benefits Pension Scheme (note 7).
5. Continuing operations excludes the results of the Books and Marketing Activation segments disposed of in the prior year (note 8).

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CHAIRMAN'S STATEMENT

A year into the Group's transition to Kin + Carta, the outlook is very positive.

Our financial position is satisfactory and on a solid footing given our investment in developing the Connective model. Sales from activities attributable to the Group-wide Connective were higher than we had anticipated. We invested more than originally planned in supporting and developing Connective activity.

That investment in our people and systems is vital. Our CEO J Schwan's vision is for the Group to operate as a Connective that will drive growth. This is enabling the sharing of knowledge, skills and culture between Kin + Carta specialisms, and is contributing to a far more integrated approach to the delivery of services and sales.

The strategy is clearly beginning to bear fruit. We have been rated by global research and advisory firm Forrester as a leading digital experience provider alongside the major consultancies, which is no mean feat.

In total, the performance of the Group's three pillars – strategic consulting, digital innovation and creative communications – has been impressive. The new structure is well advanced but there is still more to do in the coming year before all the pieces of the jigsaw are in place.

Notable developments have included the launch of Kin + Carta Advisory, a new strategic front-end to our proposition. While our intention is to grow organically, we will actively consider acquisitions that strengthen the Connective's breadth of services and territories.

J Schwan has worked tirelessly during his first full year as CEO, leading the construction of the Connective that is transforming the way we deliver services for clients. J's stated ambition is for Kin + Carta to be a US$1 billion business by our 2026 financial year. The Board fully endorses this bold vision.

GOVERNANCE AND MANAGEMENT

The year has been characterised by the arrival of several Board members, symbolising renewed energy and thinking for a new era. John Kerr, former CEO of Deloitte Consulting and founder of Deloitte Digital, will become Chairman when I step down following the Annual General Meeting in December. I would like to take this opportunity to welcome him and wish him well.

In May, we welcomed vastly experienced executive Charlie Wrench as Kin + Carta's first Chief Connective Officer, with a remit to support J's mission.

We also bade goodbye to CFO Brad Gray. Brad was a dedicated servant of the Company for more than 30 years, helping to steer the organisation through an intense programme of acquisition and divestment. We would not be in the healthy position we are today without his skill and commitment.

In Brad's place, we welcome new CFO Chris Kutsor, who joins from Motorola Solutions. Our commitment to financial expertise is bolstered by the appointment of Michele Maher as Non-Executive Director and Chair of the Audit Committee. Michele replaces Mike Butterworth, who stands down on the date of this report after a nine-year stint. I welcome Chris and Michele, and would like to pay tribute to Mike; it has been a pleasure to work alongside him.

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 continue to implement changes in line with the UK Corporate Governance Code 2018, which applies to the Company from the 2019/20 financial year. These measures include the addition of employee representation to the portfolio of Non-Executive Director Nigel Pocklington.

We have also renewed our endeavours to be a competitive, leading employer within the constraints of stated best practice.

HEALTH AND SAFETY AND OPPORTUNITIES

In a business that has transformed from 30 to zero manufacturing sites, and is now driven by our people rather than heavy machinery, it would be easy to see health and safety as less of a priority. However, we remain committed to the wellbeing of our employees, and take concerns like mental health, stress and physical conditions very seriously. We are working with a new Health, Safety and Environment Advisor to the Board to ensure these issues remain at the top of our agenda.

"Investment in our people and systems is vital. Our CEO J Schwan's vision is for the Group to operate as a Connective that will drive growth."

The inception of the Connective is allowing staff to consider transferring between businesses to new roles, enabling them to learn and share skills. Motivating the Kin + Carta workforce and providing a safe, attractive and fulfilling place to work is crucial to our collective success.

Many of our employees are actively engaged in distributing funds made available by the Board to community projects throughout the UK. This initiative is part of our mission to get all of our specialisms certified as B Corporations – businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose – by 2025.

OUTLOOK

This is my final Chairman's Statement. It has been a privilege to serve on the Board for the past 13 years, the last seven as Chairman. The Group has undergone a near-complete transformation in that time. We have managed to plot a steady course through these changes to become a vibrant digital business that is well set for the 21st Century.

Kin + Carta is now on a firm footing with a strong management team and a shared sense of purpose among all of our 1,438 employees. I wish everyone in the business a prosperous future.

Richard Stillwell

CHAIRMAN
1 OCTOBER 2019

THE CONNECTIVE

Kin + Carta provides next-generation, digital transformation services that apply technology, data and creativity to help clients invent, market, and operate new digital products and services. We operate across the UK, Europe, the US, South America and Asia and fuse three key capabilities – Strategy, Innovation and Communication – under our organisational model called the 'Connective'. Each of our specialisms falls under one of these capabilities, which are the foundation of our business.

STRATEGY

Our sector-focused management consultants help our clients better understand the shifts in their market and how their products and services need to evolve.

INNOVATION

Our software engineers and designers utilise emerging technologies to create new products and services for our clients to bring to market.

COMMUNICATION

Our digital marketing experts help our clients amplify their digital investments by finding new audiences and converting them into lifelong customers.

The Kin + Carta Connective is made up of a number of tribes. Each tribe represents a different specialism that helps us deliver digital transformation.

KIN+CARTA

solstice
KIN+CARTA

incite
KIN+CARTA

KIN+CARTA
ADVISORY

TAB
KIN+CARTA

Edit
KIN+CARTA

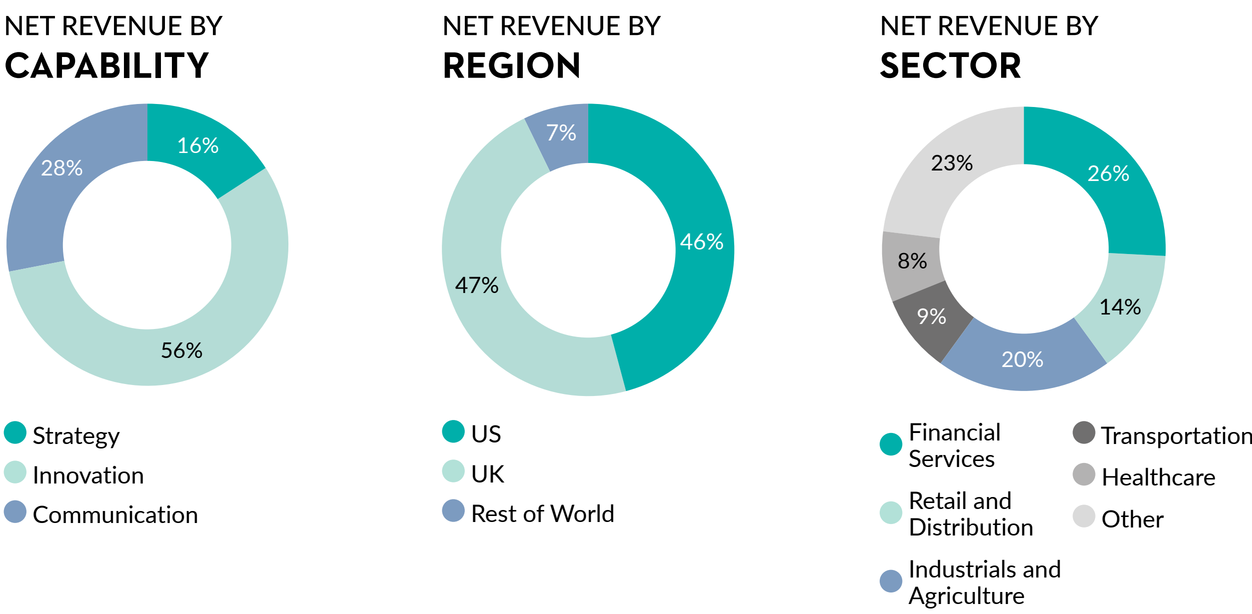
amazereause
KIN+CARTA

PRAGMA
KIN+CARTA

THE CONNECTIVE AT A GLANCE

1,438
EMPLOYEES

11
OFFICES IN FOUR COUNTRIES



GEOGRAPHICAL SPREAD

US
408
EMPLOYEES

UK
915
EMPLOYEES

ROW
115
EMPLOYEES

STRATEGIC REPORT

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TRANSFORM +
+ DELIVER

THE DIGITAL IMPERATIVE

REINVENTING THE BUSINESS MODEL

Companies must digitalise and reinvent their business models to remain relevant in an increasingly digital world. Digital engagement is increasing and digital technologies continue to change the way we work and live.

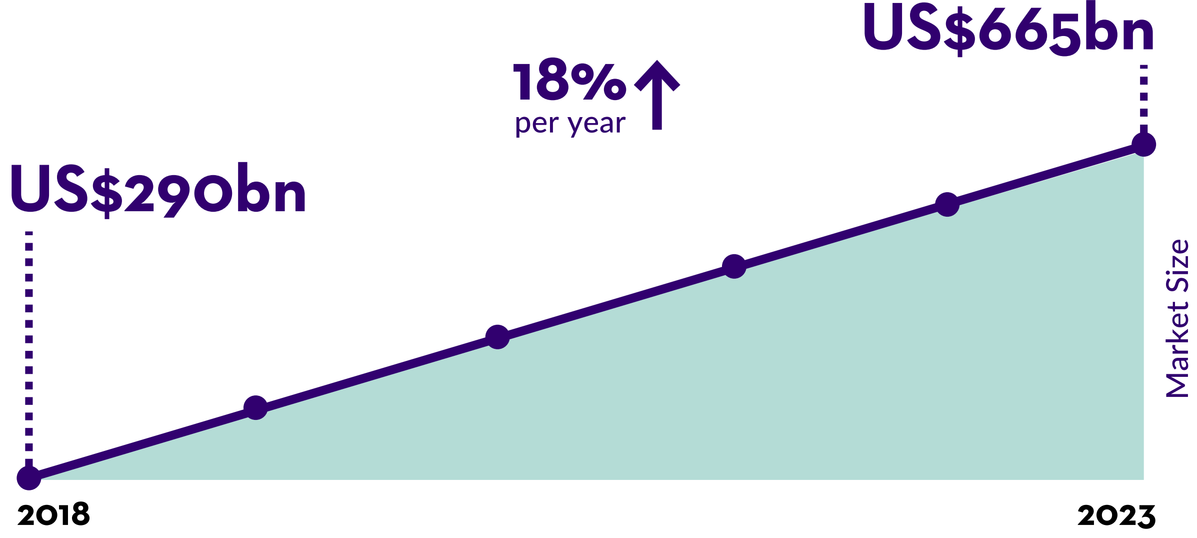
STRATEGY +	INNOVATION +	COMMUNICATION =	TRANSFORMATION
Across every sector, digital is enabling new business models	Digital enables the development of new products and services	Digital enables new channels of communication	Companies need help to both think and work differently to unlock these opportunities

Digital transformation is a rewrite, grounded in new technologies, of a company's market strategy, offerings and ways of communicating.

DIGITAL TRANSFORMATION | A FAST GROWING MARKET

Every company at scale needs help in transforming their organisation to deliver on the promise that digital brings.

The global digital transformation market is projected to grow at an 18% CAGR from $290 billion in 2018 to $665 billion in 2023[1].



1. https://www.prnewswire.com/news-releases/digital-transformation-market-worth-665-0-billion-by-2023--exclusive-report-by-marketsandmarkets-300829812.html

The Continuous Digital Transformation Process

As the pace of technological change continues to increase, businesses are constantly re-evaluating how to compete and are searching for new opportunities for growth.

Changes to technologies, the markets that businesses operate in, and continued advancement of digital means that the business loses its competitive advantages.

Strategy, products, services and marketing needs to be altered in order for the business to remain relevant.

Process of transformation.

Competitive advantages are gained from adaptation to digital trends.

KIN+CARTA

Kin + Carta sits in the centre of this cycle, delivering ongoing digital transformation for our clients with our connected service offering of Strategy, Innovation and Communication.

OUR BUSINESS MODEL

WE DELIVER TRANSFORMATIVE GROWTH FOR THE WORLD'S LEADING ORGANISATIONS.

Kin + Carta offers its clients three distinct sets of tightly integrated digital transformation capabilities. These three capabilities combine to form our Connective proposition, a holistic combination offering customers the ability to drive meaningful change in their business.

STRATEGY

Our sector-focused management consultants help our clients better understand the shifts in their market and how their products and services need to evolve.

INNOVATION

Our software engineers and designers utilise emerging technologies to create new products and services for our clients to bring to the market.

COMMUNICATION

Our digital marketing experts help our clients amplify their digital investments by finding new audiences and converting them into lifelong customers.

Capabilities

VALUE FOR STAKEHOLDERS

CLIENTS

By combining strategic consulting, next-generation product development and digital communications, we help legacy enterprises transform into high growth digital businesses.

OUR PEOPLE

Our unique organisational structure attracts the best talent. Our experts are allowed to thrive in their own 'tribes', while connected to other specialists through a thread of culture, values and ways of working.

Read more about our value for stakeholders in Our Positive Impact report on pages 42 to 49

OUR SHAREHOLDERS

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.

OUR COMMUNITIES

We aim to leverage our unique capabilities to make a difference in the societies in which we operate.

OUR COMPETITION

The Digital Transformation Marketplace

As digital transformation budgets increase, it's unclear which service providers are best equipped to help. Each type of organisation has strengths that allow them to take advantage of the rise in the need for digital transformation services, but also encounter challenges that hinder their ability to do so.

AGENCY NETWORKS

STRENGTHS

- Customer focused
- Well-known brands

CHALLENGES

- Technically challenged
- Myopic vision – only see digital transformation as a marketing issue

BIG CONSULTING

STRENGTHS

- Holistic offering
- Offer an alternative to the limited vision of agency networks

CHALLENGES

- Difficult to navigate
- Creatively challenged
- Breadth without depth
- Struggle to retain talent

SPECIALISTS

STRENGTHS

- Talent attractor
- Deep knowledge in one particular area

CHALLENGES

- Challenged at scale – can only solve one piece of the puzzle
- Strategically challenged
- Depth without breadth

Kin + Carta combines strengths of all three competitor groups and is able to avoid the challenges of each of them.

OUR STRENGTHS

Kin + Carta provides the holistic digital offering clients need with the specialist 'vibe' that top talent wants, which gives us a differentiating proposition. Our approach to digital transformation is unique due to the following strengths.

1. BREADTH AND DEPTH

We have both a breadth and depth that is achieved through our Connective operating model that integrates our variety of services from our different capability pillars.

We also have a depth of experience in our industries provided by our employees.

2. TALENT ATTRACTOR

Kin + Carta provides an opportunity to work with others who appreciate the importance of digital transformation in the same way that specialists do, but with the benefit of scale, breadth and depth.

3. STRATEGIC, CREATIVE AND TECHNICAL

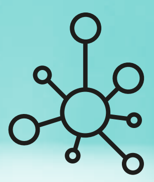
Kin + Carta is able to solve multiple elements of the digital transformation process due to our variety of specialists and our scale.

OUR CULTURE

OUR PURPOSE

TO INSPIRE GROWTH THROUGH CONNECTEDNESS

OUR VALUES



DEEPLY CONNECTED

We don't measure success by the number of offices we have. We measure it by how deeply interconnected we all are. Because only when our thinking is truly interconnected can we pull together for the greater good: the good of our business, our clients, and our communities.

ALWAYS COURAGEOUS

Nothing happens when we sit still, and the safest choice is often the riskiest option. That's why we question everything. Always seeking better ways to improve and grow. Because it's our job to plot a new path forward.

INSTINCTIVELY COMPASSIONATE

We put our egos to one side and do what's right, not what's easy. We're empathetic in all we do. We know when to talk and when to listen.

Our people are at the centre of delivering our business model. We strive to create a culture that they can take pride in and an environment that continues to provide opportunities to grow. With the Connective values at the centre of our culture and how we engage with our clients, we are able to create best-in-practice products, platforms and experiences that have won worldwide recognition.

OUR AWARDS

CORPORATE AND MARKETING STRATEGY

Sunday Times 100 Best Small Companies 2016, 2017, 2018

Global 100 Consultancy Firm of the Year 2018

PM Society Digital Awards 2017

PRODUCT AND SERVICE DEVELOPMENT

TAB KIN+CARTA

Fast Track Tech Track 100, 2015

solstice KIN+CARTA

Crain's Top 100 Best Places to Work, 2018

ACQUISITION, COMMERCE AND RETENTION

Edit KIN+CARTA

Best Use of Search, UK Search Awards, 2018

Econsultancy Top 100 Digital Agencies, 2018

CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

The pace of change at Kin + Carta has been persistent and invigorating as we focus our business on its areas of highest potential. In the past 12 months Kin + Carta has launched a new brand, refined its business model, overhauled its proposition, launched new financial and collaboration systems, appointed new sales and marketing teams and refreshed its Board and senior leadership team. We also launched four new offices, stretching our suite of capabilities into the US for the first time.

Technology's impact on our lives and the economy is accelerating. The global digital transformation ('DX') market is projected to grow at an 18% CAGR from $290 billion in 2018 to $665 billion in 2023[1]. We have been relentless in our action this year to create a platform for long-term value creation in this growing market. While this has had some impact on our near-term financial results, we believe we have made the right moves to support the long-term growth of the business and build a prosperous future. In parallel, we have honed our acquisition strategy to expand our platform into new regions when the right opportunities present themselves.

FINANCIAL PERFORMANCE

2019 reflects mixed financial results. We invested for growth and are pleased to see early signs of success with significant new client wins across our key sectors such as Barclays, Blue Cross Blue Shield and Shell. We also drove structural changes in our Communication and Strategy pillars to refocus on more strategic DX opportunities. Our Strategy pillar is already seeing an improved year ahead and our Communications pillar is stabilising. We are now much better positioned heading into FY20.

Other positive developments during the year include improved geographic diversification and higher growth in DX-focused business, which both help provide a more solid and sustainable foundation for future growth. These changes continue to be driven by a focus on areas of greatest opportunity such as Innovation and the higher growth market in the US. Our Innovation pillar now accounts for 56% of the Group's net revenue compared to 48% a year ago, and our US business is now 46% of net revenue, compared to 40% in the prior year. Our new global sales and marketing function signed over 40 Connective deals, holding our target of a healthy 50% gross margin, and our pipeline and backlog has improved.

1. https://www.prnewswire.com/news-releases/digital-transformation-market-worth-665-0-billion-by-2023--exclusive-report-by-marketsandmarkets-300829812.html

As explained in the pre-close Trading Update, these results include £3 million of investment in launching our new strategy which was second half weighted. We continue to invest at a similar level in 2020. This investment encompasses an ongoing realignment of our operations, our sales and marketing function, geographic expansion and launching new capabilities to the market.

OPERATIONAL UPDATE

Kin + Carta offers our clients three distinct sets of tightly integrated digital transformation capabilities:

- STRATEGY – Our sector-focused management consultants help our clients better understand the shifts in their market and how their products and services need to evolve.
- INNOVATION – Our 700+ software engineers and designers utilise emerging technologies to create new products and services for our clients to bring to market.
- COMMUNICATIONS – Our digital marketing experts help our clients amplify their digital investments by finding new audiences and converting them into lifelong customers.

These three capabilities combine to form our Connective proposition, a holistic combination offering customers the ability to drive meaningful change in their business. We have made significant progress over the past year evolving the Company around this core proposition.

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

Strategy
We started the year with a set of disparate businesses in our Strategy pillar, operating somewhat independently from the rest of the Group. After a significant amount of restructuring we now have a powerful go-to-market brand and a clear strategic front-end to our DX proposition.

The newly formed Kin + Carta Advisory ('KCA') is a management consultancy focused on helping our clients navigate the sometimes overwhelming digital opportunity, while enabling a clear bridge to implementation through our Innovation and Communication capabilities. KCA consultants are focused on our key sectors, are located in offices in both London and New York and are already delivering projects leading to meaningful implementation programmes for our Innovation and Communication pillars.

KCA is supported by Kin + Carta Incite, our next-generation market research consultancy that provides strategic insights to KCA as well as our other pillars. In addition to our enterprise customers, we are also engaged by some of the largest technology companies in the world, including Amazon, Facebook, Apple and Google. The ability for Kin + Carta consultants to serve both the disruptors and the disrupted provides them with a unique perspective in the market.

We are optimistic around the moves we have made in our Strategy pillar and look forward to unlocking further growth opportunities in the year ahead.

Innovation
Our digital Innovation pillar, comprising Kin + Carta Solstice and Kin + Carta TAB, is delivering double-digit revenue growth in both the US and the UK. We continue to build meaningful products and platforms for some of the world's largest companies in the most exciting areas of emerging technology such as Cloud, Machine Visioning, Artificial Intelligence, Natural Language Interfaces, Blockchain and Mobile.

Our fastest growth area is in Cloud Transformation. This involves helping our clients re-engineer legacy software systems to run on top of our partners' (Google, Microsoft, Amazon, Pivotal) cloud platforms. These transformation projects allow us to form deep, long-term relationships with our customers while providing them the agility of a digitally native company.

We are growing existing relationships and winning new exciting Fortune 1000 clients in our strategic sectors. Our UK team leveraged the Connective's financial services sector expertise to win three of the largest banks in Europe as new customers. Our US team leveraged the healthcare strength in our UK Strategy pillar to win several significant multi-year projects with healthcare insurers.

Our 700+ strong global engineering team is collaborating across regions more closely than ever, developing new tools and skills and accelerating their distribution across our global client base. The future for our Innovation pillar is truly exciting.

Communications

Our Communications pillar, comprising Kin + Carta AmazeRealise and Kin + Carta Edit, had a challenging year as it shifted its focus away from low value projects to higher value DX work and larger projects. This involved focusing on clients who are looking to implement new marketing technology ('MarTech') platforms as opposed to focusing on clients commissioning one-off campaign work. Where we define and implement a MarTech platform in addition to the content that goes on the platform, the relationship with the client becomes deeper, the tenure longer and our ability to impact change more meaningful.

Changes we have implemented in this pillar include some significant new hires and appointments, including a new Managing Director, a new Chief Growth Officer, a new Director of Employee Experience, and a new Financial Director. We also appointed our Chief Connective Officer, Charlie Wrench, as the interim Head of Communications as we work further through its evolution.

Historically, our digital marketing capabilities were solely focused in the UK which experienced delays to some client investment decisions due to Brexit uncertainty. Our focus this year was to diversify our geographic presence and bring our capabilities to the US market. We opened our first office in Chicago and began offering our communications service offerings into our existing innovation-focused Fortune 1000 client base. This involved making more strategic hires, as well as laying the groundwork for a joint business development effort between our Innovation and Communications sales teams which is building a base for growth in FY20.

We have also won some significant new clients in the UK within the pillar, while also winning 11 different marketing technology-related awards during the year. Our Communication pillar also referred over £5 million in revenue around the Group, a sign of the Connective strategy beginning to pay dividends.

While we still have more work to do to shape our Communications pillar for our DX-focused future, we are optimistic that the moves we have made will set us up for long-term success starting in the second half FY20.

"We invested for growth and are pleased to see early signs of success with significant new client wins across our key sectors."

STRATEGIC PRIORITIES

At the time that we unveiled our new transformation strategy and identity, we pinpointed six strategic priorities. A year into this journey, we have made significant progress against all of these, which we outline below. We have also simplified this list into the following five ongoing priorities, which we believe will underpin the next stage of our growth.

1. GROWTH – *We will accelerate organic growth through the continuous optimisation of a highly measurable, integrated and scalable demand generation machine:* In FY19 we built new central sales, marketing, partnerships and lead generation teams and signed over 40 cross-specialisms deals valued at over £11 million in new net revenue through these channels. Our goal in the next financial year is to optimise these teams around our key sectors and scale our new partnership function in the US and the UK.
2. PROPOSITION – *We will build a market-defining set of sector-focused technology-led business transformation offerings:* In FY19 we hired our first Chief Connective Officer, Charlie Wrench, launched our new brand, defined our first go-to-market DX proposition and created Kin + Carta Advisory as the strategic 'front-end' to our DX proposition. We evolved our capabilities in Cloud Modernisation, Artificial Intelligence, MarTech Modernisation and in Digital Advisory. Our sector-focused approach allowed for our Innovation pillar to meaningfully break into the Healthcare sector for the first time with two seven-figure multi-year wins while also expanding our Financial Services expertise in the UK, winning three of Europe's largest banks as new clients. In the next financial year we will continue to invest in the evolution of our Connective proposition and begin a process of further rationalising our brands to make it easier for our clients to engage multiple parts of our proposition.

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

3. PEOPLE – *We will create an industry-leading employee experience with a focus on the growth potential of our talent and a shared commitment to a triple bottom-line (profits, people and planet):* In FY19, through a number of new employee experience initiatives we won seven Best Place to Work awards and raised our global employee NPS ('eNPS') score by more than 50%. We also launched our first coordinated Corporate Social Responsibility ('CSR') plan, which pledges to certify all of our specialisms as B Corporations (www.bcorporation.net) by 2022, with a plan to certify our first four specialisms in the next financial year.
4. PLATFORM – *We will build an operational platform made up of best-in-class operational systems and seamless shared services:* In FY19 we rolled out new collaboration, financial and project delivery systems. In the next financial year we will roll out standard CRM and HR systems and begin expanding our shared services platform. This will ensure we are taking advantage of operational gearing as we scale, while allowing for our specialisms to focus on what makes them unique.
5. EXPANSION – *We will execute a purposeful and intelligent geographic expansion into new regions domestically and internationally:* In FY19 we launched a new Innovation office in Edinburgh, a new Communications office in Chicago and new Kin + Carta Advisory offices in New York and London. We now have all three of our core capabilities in the US. In the next financial year we will turn our attention to acquisition opportunities, with a focus on unlocking growth in the western and southern regions of the US.

By continuing to focus on these five key areas we believe we will be poised to accelerate growth within the exciting DX market.

OUTLOOK

Trading at the start of the new financial year has been in line with expectations. Our Strategy pillar is seeing improved performance, our Innovation pillar continues to power ahead and our Communications pillar is stabilising.

For FY20 we expect double-digit net revenue growth of 10–12%, accelerating primarily in the second half, with double-digit Adjusted operating margins of 12–13% for the year. While investment will have some impact on H1 2020 profitability, it will deliver higher growth and improved profitability in H2 2020. The investments we are making in realigning our business and the functions and systems that power its growth have positioned us well for the long term.

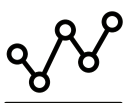
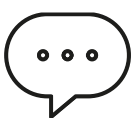
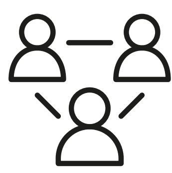
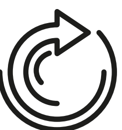
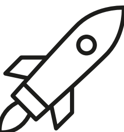
Over the medium term we expect both net revenue growth and operating margins to improve into the low teens, while we manage operating margin to fund continuing investment in the growth of the business. We will look to manage Adjusted net debt to EBITDA between one and two times depending on the opportunities available to us.

The realignment of our operations combined with ongoing investment in them positions us at the heart of the DX market opportunity. Core to our growth is our Connective collaborative model, harnessing the best combination of our skills for each of our clients. The power of the Connective is gaining traction evidenced by significant referrals and revenue growth across the business. I am excited about the potential for Kin + Carta as our growth accelerates into 2020 and beyond.

J Schwan

CHIEF EXECUTIVE OFFICER
1 OCTOBER 2019

OUR STRATEGIC PRIORITIES

	STRATEGIC PRIORITIES	2018/2019 PROGRESS
	**ORGANIC GROWTH** We will accelerate growth through the continuous optimisation of a highly measurable, integrated and scalable demand generation machine.	We built new central sales, marketing, partnerships and lead generation teams and signed over 40 cross-specialism deals valued at over £11 million in new net revenue through these channels.
	**PROPOSITION** We will build a market-defining set of sector-focused technology-led business transformation offerings.	We hired our first Chief Connective Officer, Charlie Wrench, launched our new brand, defined our first go-to-market DX proposition and created Kin + Carta Advisory as the strategic 'front-end' to our DX proposition. We evolved our capabilities in Cloud Modernisation, Artificial Intelligence, MarTech Modernisation and in Digital Advisory. Our sector-focused approach allowed for our Innovation pillar to meaningfully break into the Healthcare sector for the first time with two seven-figure multi-year wins while also expanding our Financial Services expertise in the UK, winning three of Europe's largest banks as new clients.
	**PEOPLE** We will create an industry-leading employee experience with a focus on the growth potential of our talent and a shared commitment to a triple bottom line (people, profit and planet).	Through a number of new employee experience initiatives, we won seven Best Place to Work awards and raised our global employee NPS ('eNPS') score by more than 50%. We also launched our first coordinated Corporate Social Responsibility ('CSR') plan.
	**PLATFORM** We will continue to build an operational platform made up of best-in-class operational systems and seamless shared services.	We rolled out new collaboration, financial and project delivery systems.
	**EXPANSION** We will execute a purposeful and intelligent geographic expansion into new regions domestically and internationally.	We launched a new Innovation office in Edinburgh, a new Communications office in Chicago and new Kin + Carta Advisory offices in New York and London. We now have all three of our core capabilities in the UK and US.

KPIs

1. Cross-Specialism Deals
2. Net Revenue by Sector
3. Adjusted Operating Profit Margin
4. Net Revenue Growth at Constant Currency
5. Employee Net Promoter Score ('eNPS')
6. Geographic Expansion

Read more about our KPIs on pages 30 and 31

FUTURE FOCUS	LINKS TO KPIs	LINKS TO RISKS
In the next financial year, our goal is to optimise the central sales, marketing, partnerships and lead generation teams around our key sectors and scale our new partnership function in the US and the UK.	1. 2. 3. 4.	1 2
In the next financial year, we will continue to invest in the evolution of our Connective proposition and begin a process of further rationalising our brands to make it easier for our clients to engage multiple parts of our proposition.	1. 3.	2 3 5
In the next financial year, our CSR plan is to certify four specialisms as B Corporations ('B Corp'). The CSR plan pledges to certify all of our specialisms as B Corporation by 2022. To learn more about Our Positive Impact plans, refer to pages 42 to 49.	1. 5.	6 7
In the next financial year, we will roll out standard CRM and HR systems and begin expanding our shared services platform. This will ensure we are taking advantage of operational gearing as we scale, while allowing our specialisms to focus on what makes them unique.	3. 4.	3 2
In the next financial year, we will turn our attention to acquisition opportunities, with a focus on unlocking growth in western and southern regions of the US.	2. 4. 6.	1 2 4

Risks

1 Growth
2 Scalability
3 Assimilation
4 Economy and Volatility
5 Clients
6 Our People
7 Brand and Culture
8 Finance
9 Pension Scheme
10 Data Security and GDPR

Read more about our Principal Risks and Uncertainties on pages 50 to 55

CLOUD TRANSFORMATION AND MODERN SOFTWARE ENGINEERING AT SCALE

In today's enterprise environment, every business leader is in search of modernising their legacy tech stack to deliver better software. From the top down, businesses are demanding processes to deliver better code as fast as possible while also delivering high-quality features based on predictable timelines. It's the natural tension between process and people; the highest possible standards for delivery and the world-class talent necessary to make it a reality.

To address this issue, Kin + Carta has developed a proprietary methodology we call FleXP: a balanced and blended approach for helping companies rewrite mission-critical software, migrate legacy systems to the cloud and develop new greenfield applications using modern software engineering principles. Through FleXP, our development teams are able to maintain the adaptability and speed of Extreme Programming ('XP') along with the predictability of Scrum to provide our clients with a more flexible outcome and people-focused approach to critical modernisation.

DISCOVER FINANCIAL SERVICES

Our multi-year partnership with Discover is a powerful example of foundational enterprise change being driven by a team-first approach. As Discover looked to develop new dynamic customer acquisition features, speed to market was contingent on how efficiently they could migrate legacy backend technology to a cloud-native platform.

While our development strategy focused on cloud-enabling their legacy systems, the key to creating lasting change lay in setting the standard for building high-performance, return on investment focused delivery teams within the Discover organisation through our FleXP approach.

Discover got to market faster, brought new customers into the business, increased revenue and developed new opportunities for cross-selling. By balancing process and people, together, we were able to maintain their existing systems, keep them pointing at the most critical strategic priorities, all the while building the type of results-driven team necessary to scale for the future and transform their enterprise.

The Discover Kin + Carta relationship is stronger than ever with work continuing through FY20.

GORDON FOOD SERVICE AND GOOGLE

As North America's largest privately-held food distributor, Gordon Food Service ('GFS') knew that differentiating its brand from existing competitors and new entrants meant serving their customers like never before. For years, GFS had maintained separate ordering systems for Canadian and US customers, averaging a 10-week cycle for system enhancements. The company seized the opportunity to deliver a single platform across North America that felt like more of a B2C experience, providing customer value in new ways.

Through a partnership between Kin + Carta and Google, our team not only redefined GFS customers' ordering experience but engaged a long-running FleXP programme team in our Buenos Aires delivery centre that migrated their legacy systems to the Google Cloud Platform and transformed how they bring new customer experiences to market.

Through this modern software engineering approach, we 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 customer experience ('CX') improvements and new features delivered in real-time which previously would have taken months to implement.

As their market continues to change and customer expectations evolve, GFS is now equipped with the strategy, technology and talent to continue setting the pace of its industry. According to Tom Pearce, IT Manager, E-Commerce at GFS: "Kin + Carta brought a customer-driven development methodology that helped us build what our customers actually want, instead of what we thought they wanted. They had a proven process for that approach, along with experience working on Google Cloud Platform. It's been tremendously successful."

The GFS Kin + Carta programme continues to move from strength to strength in FY20 and beyond.

MODERNISATION FOR MAJOR HEALTH INSURER

One of the US's leading health insurance providers understood that in order to digitally enable their internal customers with top tier speed, reliability and performance they required a top-to-bottom modernisation of their business.

Looking for a strategic partner with the right balance of adaptability, talent, scale and a people-driven culture, our client's leadership turned to Kin + Carta. Together, we helped them in three key areas of their business: rewriting their claim processing system; building a consolidated and consistent API-driven real-time view of their data; and delivering a digital strategy to better engage with key external partners along their user journeys.

Our team leveraged the combination of cloud-native engineering with Pivotal Cloud Foundry and product leadership to provide modern, highly capable operating model their business depended on. As a result, employee satisfaction rose, financial accuracy improved and a much more flexible system now allows their internal teams to keep technical debt to a minimum.

Together, our team continues to rack up successes with a roadmap leading well into FY20.

OUR TECHNOLOGY PARTNERS

Capabilities

STRATEGY

INNOVATION

COMMUNICATION

ARTIFICIAL INTELLIGENCE AND THE FUTURE OF COMPUTING

Seamless digital experiences have become the driving force that brings brands closer to their consumers. However, when it comes to developing a deep understanding of consumers, identifying areas of need and building solutions to meet those needs, the underlying challenges aren't just business challenges. Consumer expectations – for speed, consistency and ingenuity – have never been higher.

As these consumer demands increase, businesses are investing more in artificial intelligence ('AI') to enhance productivity, enable faster and more efficient decision-making and uncover insights hidden deep within reservoirs of business data.

We're helping our clients implement and optimise AI in ways that will increase revenue and motivate customer loyalty, and we've advanced our capabilities across three key AI areas: Machine Visioning, Natural Language Processing ('NLP') and Decision Intelligence.

MACHINE VISIONING AT CORTEVA

Corteva, a global agriscience leader, has partnered with Kin + Carta to deliver digital products to employees and growers since 2016. Yield estimation is a critical measurement for multiple personas in Corteva's ecosystem. Internally, Corteva leaders need to know exactly how much seed their supply chain is producing to ensure they'll meet demand for next year. Externally, Corteva's customers want an accurate yield forecast to ensure they make the best decisions for their operation.

First, data scientists built a machine visioning model to predict yield by taking photos of ears of corn. Kin + Carta then productionised the model, transforming yield estimation and creating operational efficiencies.

Because of the broad need for yield estimation, our team built a reusable library for delivery of two applications with the same functionality: 'Blueprint' for employees and 'Pioneer Seeds' for growers. The team leveraged machine learning at the edge using Apple's CoreML and Google's TensorFlow Lite to ensure yield estimation produces immediate results offline in rural locations.

This initiative has revolutionised the agriculture industry. Yield estimations once took multiple hours per field by trained agronomists using varying methods. Now with Blueprint, we've introduced a consistent method that enables low-skill workers to take the same estimates in minutes. The product has created buzz and elevated Corteva as a leader in digital innovation. The Pioneer Seeds app recently debuted at the Farm Progress Show in Decatur, IL to much fanfare, and the app has seen over 100,000 yield estimates taken in its first two weeks of release.

DECISION INTELLIGENCE FOR A MAJOR EQUIPMENT MANUFACTURER

By harnessing AI, we're also able to help our clients bring new bold technologies to life like never before. At a major equipment manufacturer, an internal team of data scientists had developed a confidential machine vision model that classifies images based on various traits.

The system was intended to help operators identify opportunities to optimise their labour in the future. The model had only existed in the lab before we developed an AI-driven mobile application to make it a reality.

When mounted to the machine, the app takes images in rapid succession, classifies them in real-time using a machine vision model and Apple's CoreML and creates a map that visualises the results.

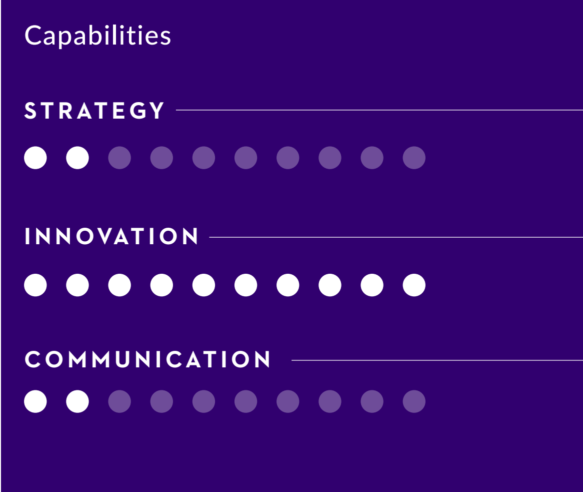
Access to data has allowed internal teams to test and refine the machine vision model and also allows users to gain real-time feedback that helps them develop long-term plans. To make it more robust in terms of business value, the application was designed to be compatible with other image classification models, allowing its use across different industries to scale value and return on investment beyond any single-use case.

NATURAL LANGUAGE PROCESSING FOR A GLOBAL FOOD AND BEVERAGE COMPANY

Voice-activated communication is one of the most immediate illustrations of the way AI creates seamless customer experiences. To facilitate transformation of quick-service ordering, we're working with a major global food and beverage company to explore how AI-powered voice ordering could help set them apart in the marketplace.

To gain a deeper understanding of customer expectations around voice-based ordering, our team developed a proof of concept using Google's Natural Language Processing ('NLP') platform called Dialogflow. Because the application allows existing mobile users to test real-world ordering scenarios, the captured learnings from this initiative have already created fresh perspectives on user-experience mapping and service integration as well as a broader vision for improving ordering operations on a global scale.

OUR TECHNOLOGY PARTNERS



UNLOCKING OPPORTUNITIES IN PRIVATE EQUITY

Private equity firms often find themselves caught between an ambitious vision of the future and the ability to predict how to get there. These firms have a vested interest in growing their portfolio companies and increasing their valuation multiples. Often this can be done by adapting a portfolio company with a successful traditional model to a digital model. It can also be accomplished by creating a new digital model to compete in a sector where existing players are struggling with digital transformation.

In order to see the return on their digital investment quickly, private equity firms rely on agile digital specialists rather than expensive and slow-moving consultants. With a flexible and scalable combination of speciality skills and services, Kin + Carta are uniquely positioned to help these firms put data and digital experiences at the heart of their valuation process.

JLA

JLA is an asset leasing business providing catering, laundry, heating and fire safety equipment to over 25,000 businesses. Serving a wide variety of industries including care homes, hospitality, healthcare and facilities management, JLA leadership turned to Kin + Carta to support them in their transition to become a digital and data-led business focusing on making existing processes more efficient, customer-driven and driving long-term retention.

Our goal at project launch was to help JLA imagine its future digital self. Rather than identifying opportunities through broad strategic frameworks and theoretical models, we helped JLA's board to visualise their digital twin. The exercise demonstrated how to improve the use of their existing data (which connects 70,000+ assets) and identify clearly articulated changes to the organisational design to become a digital enterprise.

With a clear vision of what was possible, we began working on the future target operating model design, developing the data vision and producing proof of concepts for digital products. This also included a working Internet of Things ('IoT') proof of concept to display live compliance and operational data through a cloud-based engine.

Whether it's identifying innovation opportunities, internal process improvements, or their customers' experience as a whole, JLA is now prepared to more quickly deliver its future digital self. Kin + Carta and JLA continue to partner on bringing to life a technology and data-enabled business that delights its customers.

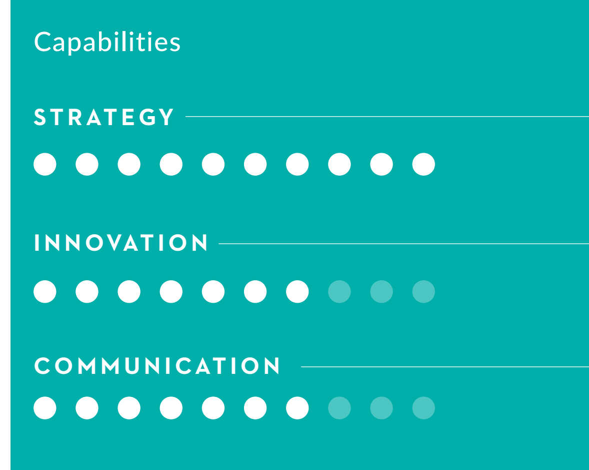
ALLICA BANK

Allica was created to fill a market gap in commercial banking to better serve small-to-medium businesses. With a brief for simplicity, speed and responsiveness, we partnered with Allica to build a more nimble and SME-focused digital bank from the ground up.

In addition to a need for more seamless solutions for working capital, cash management and loan services, Allica leadership also knew that delivering a level of service and personalisation was paramount to the company's success.

Kin + Carta worked in close collaboration with the client to develop the Allica web platform and consumer mobile experience through an agile, user-value prioritised approach. Facing a range of challenges that included optimisation for different distribution channels, disruptive product features, and product coverage, our teams provided leadership that Allica depended on. According to Allica CIO Simon Batemen, the quality of the final experiences are "mind-blowing".

Allica was formally granted a banking licence in September this year, and will be delivering commercial loans before the end of the year, with online banking and saving applications to follow next year. All of this work is backed by a comprehensive digital strategy supported by Kin + Carta. Kin + Carta and Allica continue to partner to deliver on the future of SME banking.



FROM MARKETING AUTOMATION TO MOBILE EXPERIENCE WITH SHELL

Business today is driven by insights gained from data, and products set up to drive behavioural change. Companies often need help understanding the patterns and characteristics hidden in their data, and how that information can inform future products and services.

With over 20 years of marketing communications and product development experience, we build both robust marketing automation platforms and innovative digital products for our customers. Our advanced solutions serve the full customer journey from acquisition to advocacy. With data-led optimisation programmes, we design and engineer automated digital experience platforms that help increase revenue and reduce ongoing costs. To this end, we're working with our strategic client Shell on both their marketing automation and product development fronts.

SHELL B2B

Originally engaged to support the Company's international B2B fuel card through a customer relationship management ('CRM') platform, Kin + Carta have become a strategic advisory partner around both communications planning and marketing technology. We work in partnership with Shell's central marketing team to deliver customer communications to 28 markets around the globe.

Expanding from our initial remit, we began working with Shell to redesign their marketing technology platforms and data strategy. Our work demonstrated immediate return on investment ('ROI') and provided a solution that will continue to support their evolving marketing strategy for years to come. Our engagement has led to significantly streamlined marketing workflows, developments in data compliance and demonstrable ROI. Our work is now expanding into search engine marketing to support their Make the Future initiative. Our work on standardising their data and CRM principles are being rolled out to markets across the globe.

SHELL ENERGY

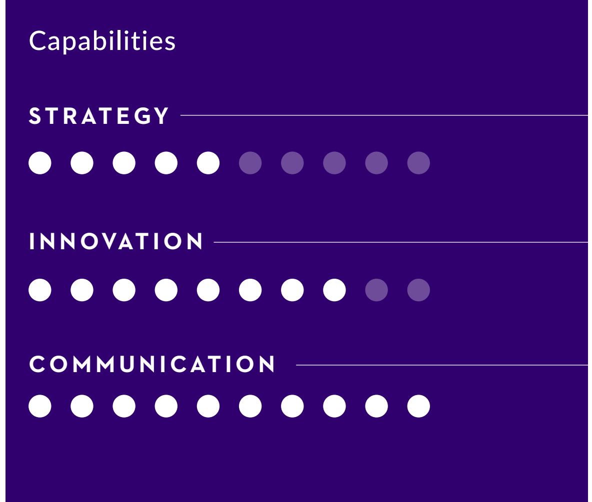
In response to public and governmental concerns about climate change and the reality of dwindling natural oil and gas reserves, Shell launched its New Energies business unit focused on the eventual replacement of carbon energy sources with cleaner, greener, renewable energy. As part of this strategy, in 2018 Shell acquired First Utility, the largest of the challengers to the 'big 6' electricity and gas suppliers in the United Kingdom. Rebranded Shell Energy Retail, today it is the seventh largest utility provider in the UK, serving 850,000 customers.

Shell Energy engaged Kin + Carta to rethink the future of utilities through the delivery of a bold new mobile resource for their customers. The upcoming launch of the Shell Energy brand created significant pressure to ensure the Shell Energy app was ready in time as it would be the main point of contact for many of their customers. The new app was delivered in just a quarter of the time it took to build the existing app. Our lean development methodologies, outcome-led approach and focus on user value were critical in successfully hitting the brand launch deadline.

A key objective in our development was to ensure satisfaction with existing users as well as providing a scalable platform to support innovation and future growth. Applying our proven methodology and armed with existing data as well as robust user research, we focused primarily on value to users rather than building features for features' sake. This meant we were able to initially deliver the highest value features that really mattered to Shell customers, within the five-month timeframe to brand launch.

An ongoing and lasting business benefit in this engagement has resulted from our ability to embed a culture of continuous improvement and collaboration with Shell Energy. This culture enables ideas to be evaluated and tested, and features built, integrated, and deployed in short release cycles.

Moving on from the successful brand launch, Shell Energy and Kin + Carta continue to collaborate closely and work as a team, evaluating and prioritising additional features and improvements to the app, staying true to outcome-driven innovation and putting the customer at the core of everything we do.



INFORMING THE BIG TECH DISRUPTORS AND EMPOWERING THE LEGACIES

Across industries, enterprises in today's business landscape generally fall into one of two camps. There are disruptors – digital natives who rewrite the rules of business in their category – and the disrupted – legacy organisations who often aspire to achieve the reach, growth and technological proficiency of the disruptive powers that threaten them.

Kin + Carta has served both groups and in doing so, is uniquely placed to deliver value through understanding the unique strengths and challenges of each.

The disruptors are renowned for understanding their customers and exploiting their data to deliver against individual functional and emotional needs. But they still need objective insights to get under the skin of the humans they seek to serve and particularly to understand their non-customers in an all-consuming drive for penetration. Consumer segmentation, customer journey mapping, positioning and message optimisation are all areas where we help these clients, to inform and support strategic planning processes.

In turn, that work with household brands like Facebook, Amazon, Apple and Google gives us a fascinating perspective on what it takes to disrupt, to be digital-first and to mobilise an agile business at scale. And these insights inform the ways we challenge and support the legacy businesses as they seek to survive and flourish in a future that is very unlike their past.

We use this knowledge to reset paradigms and overcome myths that can stand in the way of legacy businesses' transformation while working with our clients to understand and deliver against these critical elements:

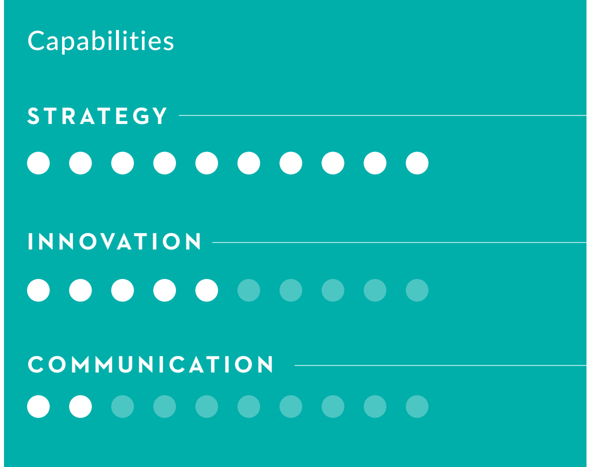
New ways of working fuel success. We help our clients place as much attention on their internal cultures and processes as on their consumer. We help implement new ways of working that can energise the whole organisation. We've challenged ourselves to deliver a radical new agile insights approach which has transformed the way we work for Kraft Heinz allowing us to deliver value at speed.

Seamlessness and immediacy are key. We know you need a holistic approach to building entire customer journeys that make engaging with them easy and applicable to their customers' daily activities. These insights have helped us support a major UK bank optimise the apps they've built to help customers consolidate debt and manage money more effectively.

It's not about early adopters or fast followers. We help our clients capture the largest piece of the market-share pie by relentlessly matching and often surpassing the experiences of digital-first competitors for everyday consumers, as we've done for SilverRail as they look to maximise their share of rail customers in the UK and US.

Quality of service can make or break the customer experience. We place an emphasis on the quality and extent of the service our clients offer their customers to increase engagement and loyalty with their markets. To this end, we've helped the Virgin Group define and deliver consistent service delivery across all their brands through both online and offline channels.

Working closely with the world's leading digital disruptors has challenged us to find new and distinctive ways to support many other clients across sectors. It's one step in an exciting journey to continue delivering new and better services to both.



KEY PERFORMANCE INDICATORS

1. Cross-Specialism Deals

Definition:
Number of cross-specialism deals across the Connective.

Performance:
We have scaled our central sales, marketing, partnership and lead generation teams in order to achieve organic growth.

40 cross-specialism deals valued at over £11 million in new net revenue were signed in the period.

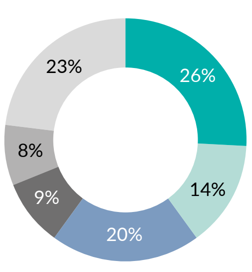
Link to Strategic Priorities:

2. Net Revenue by Sector

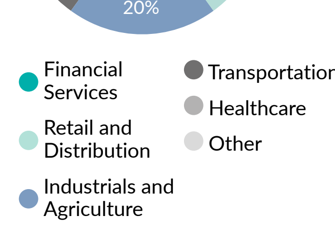
Definition:
Net revenue which focuses on five key sectors:

- Healthcare
- Financial services
- Transportation
- Industrial and agriculture
- Retail and distribution

Performance:
Our Innovation pillar meaningfully broke into the Healthcare sector for the first time with two seven-figure multi-year wins. We also expanded our Financial Services expertise in the UK, winning three of Europe's largest banks as new clients.



Link to Strategic Priorities:



3. Adjusted Operating Profit Margin

Definition:
This is defined as a percentage of Adjusted operating profit over net revenue.

Performance:
The Adjusted operating profit margin was 13% while we continue to fund investment to drive growth in the Connective (2018: 14%). Over the medium term, we expect operating profit margin growth to improve into low teens.

Link to Strategic Priorities:

4. Net Revenue Growth at Constant Currency

Definition:
Net revenue growth from continuing operations is measured using the same number of working days when comparing the current period to prior period on a constant currency basis.

Performance:
Net revenue growth on a like-for-like basis of billing days at constant currency was nil. There was a favourable currency impact of 2%.

Link to Strategic Priorities:

5. Employee Net Promoter Score ('eNPS')

Definition:
eNPS based on employees' likelihood to recommend Kin + Carta as an employer.

Performance:
Through a number of new employee experience initiatives, we have won seven Best Place to Work awards globally and raised the score of our Global eNPS by 50%.

We continue to focus on the growth potential of our talent and our shared commitment to a triple bottom line (people, profits and planet).

2019: 27
2018: 14

Link to Strategic Priorities:

6. Geographic Expansion

Definition:
Strategic expansion into new regions domestically and internationally.

Performance:
In the period, we launched a new Innovation office in Edinburgh, a new Communications office in Chicago and new Kin + Carta Advisory offices in New York and London. We now have all three of our core capabilities in the UK and US.

Link to Strategic Priorities:

Strategic Priorities

Organic Growth

Proposition

People

Platform

Expansion

Read more about Our Strategic Priorities on pages 18 and 19

FINANCIAL REVIEW

OVERVIEW

I am pleased to serve as the new Kin + Carta CFO and excited about the opportunity in front of us. We have the people, the client base and the appropriate strategy to capture significantly more growth from the DX market in the near term and coming years. We continue to make the necessary changes to position the Company for more reliable, and profitable future growth.

The results that follow are discussed in terms of continuing operations. The results are for 362 days compared to the prior period of 371 days.

The Group's statutory results for continuing operations are set out in the table below:

	362 days to 31 July 2019	371 days to 3 August 2018
Revenue	**£172.9m**	£178.4m
Net revenue	**£148.3m**	£149.7m
Statutory profit/(loss) before interest and tax	**£4.3m**	£(28.2)m
Statutory profit/(loss) before tax	**£1.8m**	£(31.2)m
Basic profit/(loss) per share	**0.73p**	(22.09)p

The Group's statutory profit before tax of £1.8 million (2018: loss of £31.2 million) includes Adjusting Items of £15.8 million (2018: £49.6 million), of which £13.2 million relates to non-cash items in the current period. Adjusting non-cash items include past service costs of £4.1 million related to the St Ives Defined Benefits Scheme (the 'Scheme'), contingent consideration treated as remuneration of £2.4 million, and the amortisation of acquired intangibles of £6.7 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 the Scheme charges. Further details are provided in the Alternative Performance Measures section on pages 36 to 41.

NET REVENUE AND ADJUSTED OPERATING PROFIT

Net revenue growth on a like-for-like basis of working days was 2% (£2.7 million), including a favourable currency impact of approximately 2%. Net revenue from clients outside of the UK increased from £72.6 million to £78.5 million, and now represents 54% of Group net revenues compared to 48% in the prior year.

Adjusted operating profit was £19.9 million, or 13% of net revenue compared to £21.2 million and 14% in the prior year, reflecting higher investments in growth, restructuring in the Communication and Strategy businesses, as well as macroeconomic weakness in the UK market.

Central costs were £5.8 million (2018: £5.3 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 3.9% of Group net revenue, and comprise the costs of running a plc and certain functions retained in the centre.

ACQUISITIONS

No acquisitions were made in the current period. However, the total current year cash outflow for businesses acquired in prior periods was £19.9 million. This includes a final payment of £3.4 million related to Solstice, and £16.5 million to settle the third deferred consideration payment for the TAB business. There remains at 31 July 2019 a liability of £2.0 million in relation to the final tranche of TAB's deferred consideration. Subsequent to the period end in August 2019, the Group settled the remaining liability of £1.2 million in cash and issued a loan note for £0.8 million.

"We continue to make the necessary changes to position the Company for more reliable, and profitable future growth."

BALANCE SHEET

The net assets of the Group have increased from £81.4 million to £88.0 million primarily due to net profit after tax of £1.1 million and a net actuarial gain of £5.2 million related to the Scheme. Total assets have increased from £191.7 million to £194.5 million and total liabilities have decreased from £110.3 million to £106.9 million. Non-current assets consist largely of goodwill and intangible assets of £111.2 million (2018: £116.2 million).

TAX

The total tax charge for continuing operations was £0.7 million (2018: £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 36 to 41.

The Group's effective tax rate on the Adjusted profit before tax was 19.5% (2018: 19.8%) compared to the standard rate of corporation tax of 19% (2018: 19%) and federal US tax of 21% (2018: 21%) for the Group. The Adjusted tax charge was £3.4 million (2018: £3.7 million). The Group's effective tax rate on Adjusted profit is lower than the prior period due to a decrease in UK and US statutory corporate income tax rates.

Net income tax of £0.3 million (2018: £5.4 million) was paid in the period.

DIVIDEND

The Board is recommending a final dividend of 1.30 pence per ordinary share (2018: 1.30 pence) giving a total dividend of 1.95 pence (2018: 1.95 pence) in respect of the 2019 financial period. The dividend is covered 4.7 times by 2019 Adjusted earnings. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 17 December 2019 to shareholders on the register at 22 November 2019, with an ex-dividend date of 21 November 2019.

FINANCIAL REVIEW
CONTINUED

PENSIONS

The Group closed the Scheme to new members in 2002 and ceased future accruals 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 31 July 2019 based on the market value of the assets at that date and the valuation of liabilities using a discount rate based on AA non-gilt bond yields.

On an IAS 19 basis, the net surplus on the Scheme was £6.7 million (2018: surplus of £1.9 million) before the related deferred tax liability. The value of the plan assets increased to £385.9 million (2018: £353.5 million) due to the strength of investment returns. Approximately 65% of the plan assets are invested in return-seeking assets providing a higher level of return over the longer period. Plan liabilities increased to £379.2 million (2018: £351.6 million) due primarily to the decrease in the discount rate used, partially offset by the impact of a reduction in assumed rates of future improvement in life expectancy. The increase in the accounting surplus is primarily attributable to the reduction in the assumed rate of future improvement in life expectancy of Scheme members.

The Scheme's actuarial valuations determine the cash deficit recovery payments by the Group and the Scheme's triennial valuation as of April 2019 is currently in progress. The Group currently makes deficit funding contributions of £2.6 million per annum and a contribution of £0.4 million per annum towards the costs of administration of the Scheme. On the disposal of the Books segment in April 2018, the Group made an additional contribution of £2.5 million to the Scheme.

The charge for the Group's defined contribution schemes was £2.3 million (2018: £2.1 million) in the period.

CASH FLOW

Cash generated from operations was £9.0 million (2018: £25.8 million). The decline was due to the disposal of the Books and Marketing Activation segments in the prior period and an increase in working capital investment in the current period. Total dividends paid were £3.0 million (2018: £2.8 million). This consisted of a final dividend for the 2018 financial period of 1.30 pence per share and an interim dividend of 0.65 pence per share.

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

During the period, the Group sold a property in Redditch for a consideration of £7.2 million. This property was previously occupied by SP Group Limited, which was disposed of in the prior period.

NET DEBT

During the period, the Group successfully negotiated a new revolving credit facility of £85.0 million, expiring on 30 November 2022, on terms broadly in line with the previous agreement. The banking group consists of HSBC UK plc, Bank of Ireland and Fifth Third Bank.

Net debt increased during the year from £26.0 million to £38.4 million primarily due to payments of earnout-related consideration of £19.9 million for the Solstice and TAB acquisitions, partially offset by the sale proceeds from the Redditch property. At 31 July 2019, Kin + Carta had drawn £60.4 million on its revolving credit facility, leaving an unutilised commitment of £24.6 million. The Group had cash and cash equivalents of £22.0 million.

At 31 July 2019, the ratio of net debt to EBITDA before Adjusting Items was 1.7 times (2018: 1.1 times) as shown in the Alternative Performance Measures section on pages 36 to 41.

Chris Kutsor

CHIEF FINANCIAL OFFICER
1 OCTOBER 2019

ALTERNATIVE PERFORMANCE MEASURES

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 alternative performance measures ("APMs") and key performance indicators ("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 the 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 do not consider this to be part of the underlying trading performance.
4. Administrative expenses related to the 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 five employees who are members of the Scheme and still 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 including administration costs, past service costs related to the Guaranteed Minimum Pension ('GMP') and pension finance charge/(credit) 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. The analysis of Adjusting Items from continuing operations is set out below:

Adjusting Items description	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Profit on disposal of property, plant and equipment	**(1,771)**	(1,542)
Amortisation of acquired intangibles	**6,674**	8,659
Expenses related to restructuring items	**2,635**	3,062
Impairment of goodwill and other assets	**–**	12,082
Contingent consideration required to be treated as remuneration	**2,375**	23,994
Increase in deferred consideration	**–**	3,094
Administrative expenses/(income) related to the St Ives Defined Benefits Pension Scheme	**5,707**	(31)
Total Adjusting Items added back to the statutory operating profit	**15,620**	49,318
Bank amortisation fees	**189**	–
Pension finance charge	**(30)**	324
Total Adjusting Items added back to the statutory profit before tax	**15,779**	49,642
Tax related to Adjusting Items	**(2,772)**	(2,436)
Total Adjusting Items added back to the statutory profit after tax	**13,007**	47,206

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

Like-for-like revenue: The measure is defined as the revenue from continuing operations using the same number of working days when comparing the current period to the prior period. The Company moved to calendar billable month reporting from August 2018; the previous reporting cycle comprised of 52/53-week years. The number of working days in the current period was 258 against a comparator of 265 days. The comparator revenue has been adjusted to reflect an equal number of working days.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Statutory revenue	**172,874**	178,355
Number of working days in the period	**258**	265
Number of working days in the current period	**258**	258
Like-for-like revenue	**172,874**	173,643
Like-for-like revenue %	**(0.4)%**	

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Statutory revenue	**172,874**	178,355
Less Adjusting revenue	**(763)**	(63)
Adjusted revenue	**172,111**	178,292

Adjusting revenue includes revenue recorded after the decision to cease the operations of a subsidiary.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Adjusted net revenue: The measure is defined as revenue less project-related costs as shown on the consolidated income statement. Project-related costs comprise primarily of third party pass-through expenses and direct costs attributable to a project.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted revenue	**172,111**	178,355
Project-related costs	**(24,090)**	(28,614)
Adjusted net revenue	**148,021**	149,678

Like-for-like Adjusted net revenue: The measure is defined as the Adjusted net revenue from continuing operations using the same number of working days when comparing the current period to the prior period. The Company moved to calendar month reporting from August 2018; the previous reporting cycle comprised of 52/53-week years. The number of working days in the current period was 258 against a comparator of 265 days. The comparator revenue has been adjusted to reflect an equal number of working days.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted net revenue	**148,021**	149,678
Number of working days in the period	**258**	265
Number of working days in the current period	**258**	258
Like-for-like working days Adjusted net revenue	**148,021**	145,724
Like-for-like working days Adjusted net revenue growth %	**1.6%**	

Like-for-like Adjusted net revenue at constant currency: The measure is defined as the Adjusted net revenue from continuing operations using the same number of working days when comparing the current period to the prior period at constant currency. The Company moved to calendar month reporting from August 2018; the previous reporting cycle comprised of 52/53-week years. The number of working days in the current period was 258 against a comparator of 265 days. The comparator revenue has been adjusted to reflect an equal number of working days.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Like-for-like working days Adjusted net revenue	**148,021**	145,724
Effect of constant currency	**–**	2,711
Like-for-like working days Adjusted net revenue at constant currency	**148,021**	148,435
Like-for-like working days Adjusted net revenue decline % at constant currency	**(0.3)%**	

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

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Statutory operating profit/(loss)	**4,265**	(28,153)
Add back total Adjusting Items excluding pension finance charge and tax	**15,620**	49,318
Adjusted operating profit	**19,885**	21,165

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

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Statutory profit/(loss) before tax	**1,777**	(31,171)
Add back total Adjusting Items excluding tax	**15,779**	49,642
Adjusted profit before tax	**17,556**	18,471

Like-for-like Adjusted profit before tax: The measure is defined as the Adjusted profit before tax from continuing operations using the same number of working days when comparing the current period to the prior period. The Company moved to calendar month reporting from August 2018; the previous reporting cycle comprised of 52/53-week years. The number of working days in the current period was 258 against a comparator of 265 days. The comparator revenue has been adjusted to reflect an equal number of working days.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted profit before tax	**17,556**	18,471
Number of working days in the period	**258**	265
Number of working days in the current period	**258**	258
Like-for-like Adjusted profit before tax	**17,556**	17,983
Like-for-like Adjusted profit before tax %	**(2.4)%**	

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

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Statutory profit/(loss) after tax	**1,121**	(32,394)
Add back total Adjusting Items	**13,007**	47,206
Adjusted profit after tax	**14,128**	14,812

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

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted profit after tax	**14,128**	14,812
Weighted number of shares ('000)	**153,307**	146,654
Adjusted basic earnings per share (pence)	**9.22**	10.10

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

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

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted net revenue	**148,021**	149,678
Adjusted operating profit	**19,885**	21,165
Adjusted operating margin	**13.4%**	14.1%

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 2018 has been determined on the basis of the continuing operations only for the purpose of calculating the ratio of net: EBITDA.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted operating profit	**19,885**	21,165
Add back depreciation and amortisation – continuing operations for the current year	**9,471**	11,025
Less amortisation of intangibles classified as Adjusting Items	**(6,674)**	(8,659)
Adjusted EBITDA	**22,682**	23,531

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

	2019 £'000	2018 £'000
Loans – current liabilities	**–**	40,363
Loans – non-current liabilities	**60,416**	–
Cash and cash equivalents	**(22,017)**	(14,398)
Net debt	**38,399**	25,965

For the measurement of the bank covenants, cash and cash equivalents denominated in currencies other than GBP Sterling are translated at an average rate rather than at the period end spot rate used in the Consolidated Balance Sheet. The reconciliation is as follows:

	2019 £'000	2018 £'000
Net debt	**38,399**	25,965
Foreign exchange difference between spot rate and average rate	**(272)**	–
Net debt for covenant purposes	**38,127**	25,965

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.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Adjusted EBITDA	22,682	23,531
Net debt for covenant purposes	38,127	25,965
Net debt to Adjusted EBITDA	1.68	1.10

OUR POSITIVE IMPACT

BRINGING OUR PURPOSE TO LIFE

Our purpose is to inspire growth through connectedness. We have set out below the steps we are taking to make that real for our clients, our communities, our people, our shareholders and our suppliers.

The Board continues its commitment to working in a socially responsible way. It is driven to ensure that corporate social responsibility ('CSR') is reflected in our business practices and that we have a positive impact on the environment in which we live and work, and on each of the Connective's stakeholders.

In this report, we outline how we have continued the good practices that are embedded in our culture and ways of working, how there has been additional focus on this area over the past 12 months, and how we measure our impact and performance across non-financial key performance indicators, now and in the future.

OUR TRIPLE BOTTOM LINE INITIATIVE

B Corporation ('B Corp'): A globally recognised assessment framework to assist companies to become more responsible by considering the impact of their decisions on their clients, community, people, suppliers, and the environment.

Triple Bottom Line: giving consideration to people, profit and planet.

During the period, the Board agreed that a greater emphasis on social responsibility and the positive impact of the Connective was a core strategic area that would enhance the Connective's effectiveness and deserved additional focus and resource. A Head of Responsible Business was appointed to the Connective's CSR function, reporting to the Chief Connective Officer, with responsibility for the assessment and improvement of our impact on all of our stakeholders and the environment. As a result of the initial assessment, the long-term goal was set to achieve B Corp certification for each of our specialisms, with a view to each business having a greater triple bottom line focus, and striving to use our business as a force for good for all of our stakeholders.

We strongly believe that becoming a triple bottom line business will have numerous benefits across the organisation as well as in society, and will ultimately be an important factor in driving:

- Engagement among our teams, across the Connective, and with our clients.
- Growth opportunities for our people as well as our service lines.
- Increasing success and the future competitiveness of the Connective.

To provide structure, focus, and external validation for our efforts to become a triple bottom line business, the Connective is utilising the B Corp assessment and certification framework as a tool. This is a recognised, relevant and robust framework, suitable for the size and sectors of our specialisms, that allows us to measure current performance against stringent criteria in the key areas of governance, people, community, the environment, and the positive impact (or otherwise) of our work with clients. It also provides guidance for improvement initiatives in the areas where we may not currently achieve best practice, and allows us to plan a suitable, tailored route both to B Corp certification for each of our specialisms and beyond as we continue our journey to becoming a true triple bottom line business.

During the period, we reviewed current activities, identifying areas for improvement and agreeing action plans for each specialism to improve across a number of relevant areas. We have also noted areas of strength in each business, and we will be using these learnings to roll out consistent policies and behaviours across the Connective. Our Positive Impact report summarises our current practices and performance in each of the key areas where we can enhance our positive impact, together with plans for the future.

OUR PRACTICES AND PERFORMANCE

OUR CLIENTS

Across the Connective, we undertake a wide range of services for our clients, who are located around the world and in various sectors. In each case, we endeavour to provide the highest level of advice and support to optimise opportunities and solve problems for each of our customers. In addition, we strive to identify further areas where we may be able to assist. In the future, we plan to take our services further, with tailored recommendations for each of our clients in every project about how they might increase their positive impact on society or on the environment with their own products. We will also record the proportion of our own work which can be classified as positive impact, so we can consider if and how we can improve in this area in future years.

We have well-established practices to promote responsible business with our clients. The CEO of each of our specialisms has signed up to the Connective's Anti-Corruption and Bribery Policy, which sets out best practice in areas such as the prohibition of facilitation payments and political donations.

OUR PEOPLE

Kin + Carta provides expert advice as well as innovative technological and communications solutions to our clients, in each case originally developed by our people. We recognise that our success depends on their quality. As a result, we undertake to and generally succeed in recruiting, retaining, and progressing the best people across all our specialisms. We make a significant investment in creating an inclusive, progressive and engaging environment in each of our offices, and look to live our shared values across all our specialisms and geographies. Being connected, compassionate and courageous together allows us to enjoy our work, our community, and our client relationships.

As part of the B Corp assessment process, we undertook a detailed review during the year of all relevant aspects of each specialism's relationship with its employees, including: compensation and financial security, benefits, diversity and inclusion, training and career development, health and wellness, safety, communication, working flexibility, satisfaction and engagement, and culture. As a result, we are developing plans for each specialism, and for the Connective as a whole, to improve aspects in each of these areas where necessary or desired, with a view to achieving industry-leading status.

Employee Experience and Engagement

The Connective promotes positive employee experience across learning and development, feedback and appraisals, health and wellbeing, social occasions, flexible working arrangements, and the office environment, in addition to competitive remuneration packages and incentives.

Our investment in our people is in line with our long-term goal to become an internationally recognised best place to work. Understanding the views of our employees and maintaining a regular and open dialogue is central to achieving this goal. We undertake six-monthly engagement surveys to understand employee perceptions of the business. The findings are subsequently reported to the Board and key initiatives are agreed for progress. We have also continued to develop the channels through which employees can learn more about our business and performance and provide opportunities to ask questions.

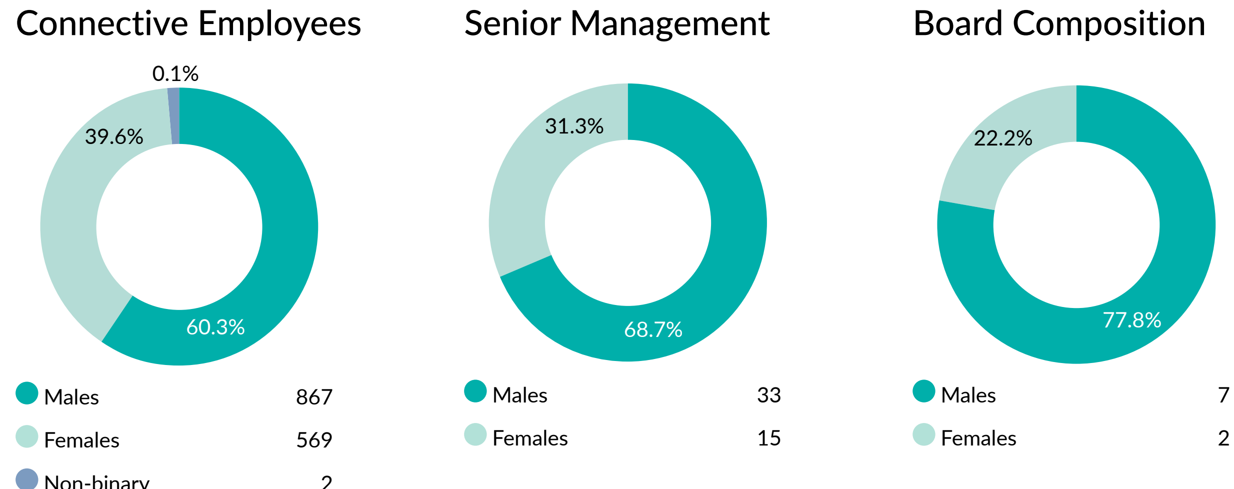
OUR POSITIVE IMPACT
CONTINUED

We have launched 'All Kin' employee town halls in addition to issuing regular internal announcements, videos and podcasts that deliver short, sharp summaries of news across the Connective.

During the period, we have run numerous initiatives to enhance employee experience. A key focus of the Connective's Employee Experience Leads has been providing support to, and driving awareness initiatives on the resources available to, employees within the Connective on wellbeing or mental health matters. Senior management and Employee Experience Leads also attended mental health first aid training. This programme will continue to run and be strengthened. In addition, our Global Citizenship programme has laid the legal and operational foundations to enable the movement of our employees across the Connective. This, coupled with our increasingly collaborative approach across the specialisms and peer learning drives, will, we believe, increase the knowledge and skills levels, and job satisfaction, among our teams.

Diversity and Inclusion

As at 31 July 2019, we employed 1,438 people including 1,356 full-time and 82 part-time employees. The Connective is committed to promoting equality of opportunity for all employees and job applicants, supported by its Equal Opportunities Policy. The objective of the policy is to ensure 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 remain in employment wherever possible, and will be assisted with occupational rehabilitation and retraining. Wherever practicable, the Connective will modify procedures or equipment to maximise an individual's full capabilities.



Integrity and Human Rights

We continue to formally protect the interests of our employees through our Dignity at Work Policy, which ensures the Connective provides a working environment free from harassment and bullying as well as a clear procedure to tackle such behaviour. Our Speak Up Policy is readily available to all employees to ensure they can confidentially raise any concerns about the business.

OUR COMMUNITY

The Connective has various initiatives to support charities, including: setting and then donating an annual budget to charities serving communities in which the Connective 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.

In recent years, each of our specialisms have engaged with charitable projects in their local communities, and those further afield in some instances, through individual fundraising, volunteering or company donations. These contributions have covered a broad range of deserving causes, and the provision of time has ranged from practical volunteering activities to strategic advice for charities.

During the year, the Connective made donations of varying sums to a spectrum of charities including Cancer Research UK, Crisis, Ronald McDonald House and Save the Children.

In the future, the Connective also plans to record the amount of time donated to charities, such that we can better identify our impact to optimise the results for those causes we support.

OUR SUPPLIERS

The Connective is committed to building strong working relationships with its suppliers, ensuring that we are aligned on quality, delivery, innovation, risk and compliance. Our principal suppliers complete 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. The Ethical Trading Policy 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.

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 Connective's Anti-Corruption and Bribery Policy has been applied during the year. The Internal Audit function follows up any high-risk areas identified from this exercise.

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 31 July 2019 for the Group was 59 days (2018: 71 days).

OUR SHAREHOLDERS

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 biannual analysts' briefings and, where appropriate, meet the Company's major shareholders to further explain the Connective's investment proposition. A number of major shareholders have accepted the opportunity to meet Non-Executive Directors including the Chairman.

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

Those shareholders that have an obligation to notify the Company of their voting interests are shown on page 97.

OUR POSITIVE IMPACT
CONTINUED

HUMAN RIGHTS

Ethical values and integrity are central to our businesses both in the UK and abroad. As a socially responsible business, we recognise 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 that we expect our employees, contractors, agents, suppliers, consultants and other connected third parties to comply with (see page 45). To protect the rights of our employees, we have an Equal Opportunities Policy (see page 44).

The Company's Modern Slavery Act Policy 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.

The Connective had no human rights issues during the period.

HEALTH, SAFETY AND ENVIRONMENTAL ('HS+E') MANAGEMENT

The Connective is committed to avoiding harm to people and reducing the impact of its operations on the environment. HS+E management has equal importance with the commercial, operational and financial aspects of our activities.

Our transformation to an exclusively digital business has reduced our risk profile following the disposal of the print operations during the prior year. This transformation was addressed in our reviewed HS+E Policy Statement in August 2019 and a supporting HS+E Framework Policy document, which stipulates the organisation and arrangements for managing the health, safety and environmental risks of the Connective.

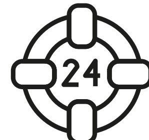
HS+E performance is reviewed on a quarterly basis by the Board. This performance review includes: accident/incident rates, legal compliance, corrective action taken or required, and policy development.

Health and Safety Management

Targets have been set for the Accident Incident Rate ('AIR')[1] and the Accident Severity Rate ('ASR')[2] for the Connective. To assist in reducing workplace accidents, each office completes formal monthly workplace inspections and risk reduction advice is provided by the Connective's HS+E Advisor.

To reflect our commitment to employee wellbeing, since January 2019 we have included any absences due to work-related stress in quarterly HS+E reports to the Board. The Connective has invested in training Mental Health First Aiders within each of its offices to improve resilience and help our people recognise and respond effectively to mental health matters.

Accident Incident Rate:
2018/19: 1.94
Target Rate: less than 3



Accident Severity Rate:
2018/19: 110
Target Rate: less than 500

1. Accident Incident Rate ('AIR') – All classes of work-related injury accident, including agency workers but excluding contractors and other third parties. Headcount includes agency workers but excludes contractors and other third parties. AIR is calculated as total accidents × 100,000/total worked hours.
2. Accident Severity Rate ('ASR') – Total lost hours due to any work-related injury accident counted from the next scheduled shift or working day. Hours are as recorded using a standard working day. Total worked hours includes hours worked by agency workers but excludes contractors and other third parties. ASR is calculated as total lost hours × 100,000/total worked hours.

Environmental Management

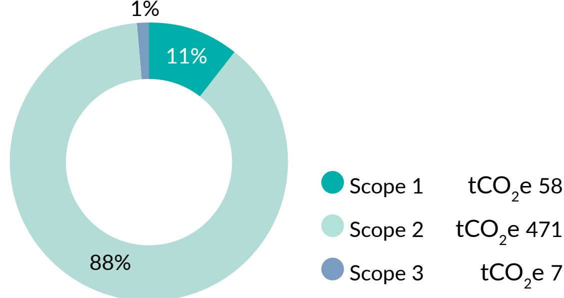
An environmental aspect and impact assessment was developed for the Connective to assist in the setting of environmental objectives and targets. Significantly, and as referenced on page 42, the Connective has targeted achievement of B Corp certification to demonstrate its commitment to a high standard of environmental performance.

Carbon Reporting

This is the first year of reporting under the UK Government's Streamlined Energy and Carbon Reporting ('SECR') policy under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Connective's footprint is calculated in accordance with the Greenhouse Gas ('GHG') Protocol and Environmental Reporting Guidelines, including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using factors that enable the calculation of the tonnes of carbon dioxide equivalent ('tCO_2e') produced. Calculating the tCO_2e allows the different greenhouse gases to be compared on a like-for-like basis relative to one unit of CO_2.

Breakdown of Emissions by Scope (tCO_2e)

Of the 536 tCO_2e emitted during the period, 88% was through electric consumption (scope 2 emissions), 11% was from the combustion of natural gas (scope 1 emissions), and 1% was from travel in employee-owned vehicles (scope 3 emissions).

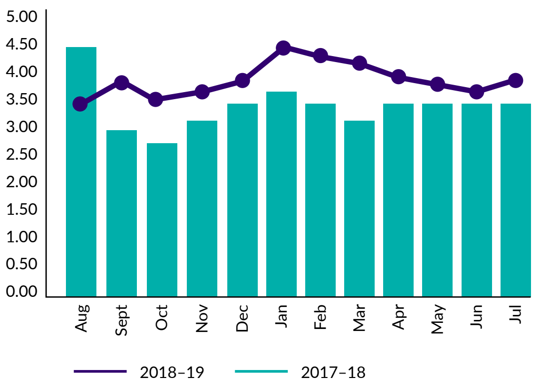


Intensity Ratio

The intensity ratio (all emissions divided by turnover) of the transformed business is significantly lower than the previous operation.

In comparison to the prior period, carbon emissions for the period ended 31 July 2019 were 18% lower and gave an intensity ratio 3.1. To enable an accurate comparison of the Connective's carbon emissions for the reporting period versus the prior period, emissions produced from the print operations were removed from 2017/18 source data.

Intensity Ratio 2018/19 compared to 2017/18



The Connective will continue to explore practical and cost effective ways to reduce carbon emissions resulting from its operations.

Water consumption will no longer be included in the Annual Report with the organisation no longer operating industrial processes.

CASE STUDY:

NAIROBI IMPACT PROGRAMME

The Kenyan part of the Impact Programme at Kin + Carta Solstice provides employees with an opportunity each year to deliver on inspiring projects outside our usual client work.

Each year, Kin + Carta Solstice selects two to three Nairobi-based companies that:

a) believe digital is imperative to their business outcomes; and

b) are making a positive social impact in their community.

For each of these Kenyan companies, we discuss and identify with them a digital problem that we can help them to solve. We then form agile teams and commit to remote, *pro-bono* work with the companies, so we can work together to achieve the best solutions. The programme closes with two weeks on the ground in Kenya with our partner companies – which is often a chaotic but enjoyable blend of teaching, discovering and building.

Kin + Carta team: an interdisciplinary mix of **11 Kin + Carta Solstice** employees (including strategists, developers, researchers and consultants).

Our 2019 local company partners:

- **Twiga:** One of Nairobi's fastest tech startups, Twiga is successfully bridging the gap between farmers and vendors, minimising food waste and offering above market price for producers at a competitive rate for consumers. Twiga stands as a catalyst for change within the retail and agtech sectors by connecting farmers with vendors through emerging technology.
- **Internet of Elephants ('IOE'):** While conservation efforts receive more funding and are top of mind in major cities like Nairobi, IOE is reaching other locations typically unconnected with conservation. Augmented reality and data visualisation products are used to create an engaging new way for the public to connect with wildlife.
- **GrowthAfrica:** A long-term partner of the programme, GrowthAfrica is Nairobi's leading accelerator focused on growing successful enterprises, innovations and entrepreneurs across Africa. Through business acceleration, strategic advice and access to investments, they have been a consistent partner in introducing Kin + Carta Solstice to new businesses with digital challenges and future opportunities for the programme.

This has been one of our highest impact programmes to date. Internally, we have measured success against marketing reach, recruiting value and employee retention. Externally, we measure the programme improvement against how we qualify partners, alignment on the problem to solve and real business outcomes. We're happy to announce the Chief Technology Officer of Twiga, Caine Wanjau, will be involved as a speaker at our upcoming annual conference, FWD.

PRINCIPAL RISKS AND UNCERTAINTIES

APPROACH TO RISK MANAGEMENT

Kin + Carta has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business. Our risk management framework, which is reviewed by the Audit Committee, is described on pages 62 and 63. Formal half-yearly reviews and discussions on risks and challenges facing the Connective are undertaken by the Board in addition to considering specific risk matters at each Board meeting. The risk register includes risks that are specific to the holding company, such as corporate financing, in addition to risks escalated from the specialisms which could have a material effect on the Connective. Risks pertinent to the specialisms 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 an annual SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

The longer term viability of the Company has been assessed by the Board over a three-year period during the year. Details of this review are on page 96.

The Board has overall responsibility for risk management. It is responsible for carrying out a robust assessment of the principal risks facing the Connective, including those threatening our ability to achieve our business model, strategic objectives, solvency and liquidity. The Board sets and monitors the risk appetite.

AUDIT COMMITTEE

On behalf of the Board, the Audit Committee reviews the effectiveness of the Connective's internal control and risk management systems.

RISK ASSURANCE

INTERNAL AUDIT

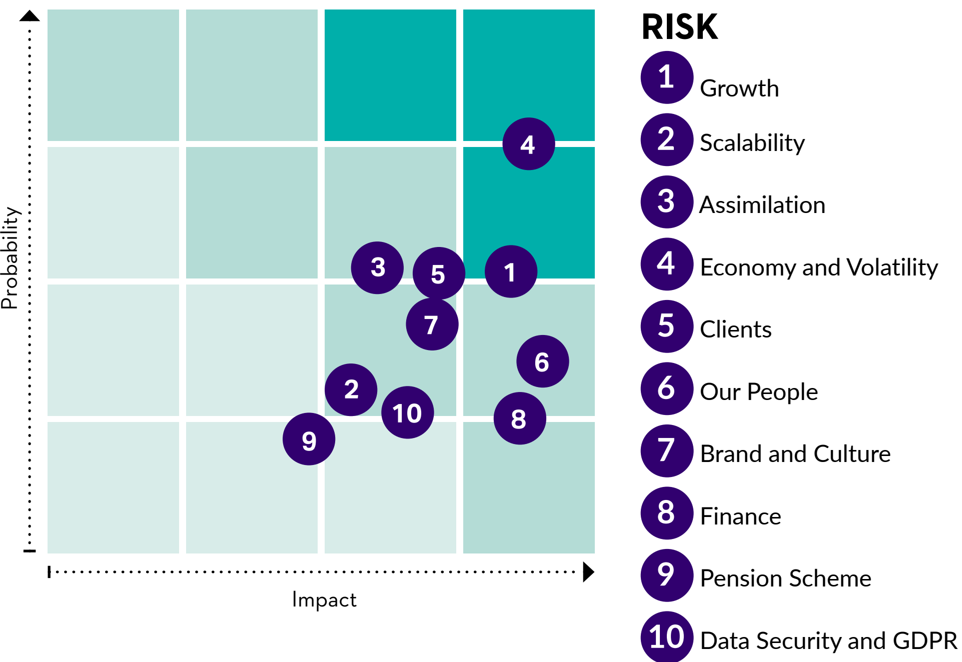
Our Internal Audit function gives assurance over our risk management, control and governance processes and systems.

RISK OWNERSHIP AND CONTROL

EXECUTIVE DIRECTORS AND SPECIALISM MANAGERS

Our Executive Directors and specialism managers identify risks and are responsible for day-to-day operational supervision, which includes the identification, mitigation and management of risk.

HEAT MAP



RISK APPETITE

Risk appetite is the degree of risk we consider appropriate and acceptable to achieve our strategic objectives. As part of its annual risk assessment, the Board has considered and reviewed the nature and extent of its risk appetite. The outcome of this exercise informs decision-making across the Connective, providing direction and boundaries that help to set the level of mitigation needed. The Connective's risk appetite across the principal risks was not altered materially during the period following consideration by the Board. Risk appetite is subject to ongoing review by the Board, which takes into account changes to the economic environment, strategic progress and the performance of the specialisms.

The Board seeks to minimise liquidity risks and risks associated with the welfare of our people; it consequently has a particularly low risk appetite in these areas. For liquidity risk, we have detailed procedures for monitoring headroom in the bank facility and the associated leverage and interest cover covenants. The Connective model facilitates the opportunity for our people to work in different areas within the organisation and to gain from wider experiences. In other aspects, such as growth initiatives, the Board has a greater risk appetite and sets the level of mitigation accordingly. Mitigation of risks associated with growth initiatives has included strengthening the Board and senior management, with several significant appointments having been made during the period. These appointments are described in more detail on pages 70 and 71. Thus, the Board accepts a managed risk profile, while attempting to mitigate risks effectively, as we seek to deliver our strategic goals.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

The table below details the Connective's principal risks and the key mitigating activities in place to address them. The changes in the risk ratings from the Board's assessment in the prior period have been highlighted.

No new key risks have been added to the register during the period. However, the Board is mindful of the potential impact of the pace of change as the business transforms and has considered this in its review of the principal risks.

Risk	Description	Mitigating activities
1 GROWTH ↔	The business continues to undertake a number of initiatives to support its strategy and growth model. It is important that our specialisms continue to identify new business opportunities and partnership channels to maximise potential growth. Growth initiatives may be underinvested or not pursued in the right sectors or territories and may therefore fail to deliver growth.	• Further investment in new business functions. • Embedding the Connective proposition to encourage collaborative behaviour and growth opportunities, supported by the appointment of Charlie Wrench, our first Chief Connective Officer. • Detailed budgets and three-year plans submitted to the Board for review. • Stringent selection criteria followed for pursuing acquisitions that fit within the Connective's strategy and culture.
2 SCALABILITY ↔	Achieving scalability within our specialisms is important in order to pursue a high growth strategy. While included as a risk, achieving greater scalability is also an opportunity for the Connective. Digital Transformation businesses may not have sufficient scale within their sectors to secure substantial customer contracts.	• Collaboration between specialisms such as working on joint pitches. • Organic growth of businesses through recruitment drives and opening of new offices. • Bringing businesses and functions 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 with a greater emphasis on recurring revenue.
3 ASSIMILATION ↔	During the prior period, six businesses were successfully merged into two specialisms, AmazeRealise and Edit. The Connective continues to identify areas for assimilation and integration to create a solid platform for growth. Short-term impacts from integrating businesses and functions could manifest in the form of temporary challenges as cultures are merged and logistical considerations are managed.	• Office moves to accommodate new specialisms in the same location while enhancing the working environment. • People-focused initiatives and bonding to encourage a uniform culture with shared values across the Connective. • Developing processes and procedures to increase efficiency. • Identifying and facilitating resource requirements to manage the changes being implemented.

Risk	Description	Mitigating activities
4 ECONOMY AND VOLATILITY ↑	Challenging economic conditions may inhibit growth and create uncertainty. This could lead to volatility in earnings. Uncertainty in the economy, largely associated with Brexit, could result in marketing campaigns or projects being cancelled or deferred at short notice. While the Connective 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.	• Diversification into markets that are capable of delivering profit growth with an increasing range of marketing companies. • Diversification through growth in the US and other overseas locations, where client demand warrants it. • Investment in a wider range of services offered to clients. • A continual review of the Connective's cost base. • Secure more long-term client relationships and contracts with a greater emphasis on recurring revenue. • 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.
5 CLIENTS ↔	The Connective has a number of key clients in each of its specialisms. Competitive pressure may result in the loss of a key client. Should the Connective lose a number of its key customers or key suppliers, this could have a material impact on its finances. However, for the period ended 31 July 2019, no single customer accounted for more than 6% of revenue.	• Encourage collaborative behaviour across the Connective's specialisms to strengthen our ability to anticipate our clients' needs and offer them tailored solutions to distinguish the Connective's marketing 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 Connective support where appropriate. • Conduct client satisfaction surveys.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Description	Mitigating activities
6 OUR PEOPLE ↔	Retaining and recruiting staff is a key priority for the Connective as it continues to invest in new and existing service orientated businesses. Following the disposal of the legacy print businesses in the prior year, the Connective is now entirely a people-focused business. A failure to attract, develop and retain employees with the necessary talent would impact the ability of the specialisms, and Connective as a whole, to deliver the services sought by our clients and support the growth of the business.	• Implement appraisals and fulfil training needs where identified. • Develop a collaborative culture across the Connective's specialisms. • Emphasis on becoming a triple bottom line business and enhancing employee experience. • 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 for people to second or transfer to different specialisms which is enabled by the makeup of the Connective.
7 BRAND AND CULTURE ↔	In October 2018, the Company launched a rebrand. It is vital that the brand architecture is cohesive and easily understood by customers and top talent globally. If the brand and culture do not resonate with the Connective's stakeholders, business opportunities may be missed to competition.	• 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 Connective's purpose is to serve its employees and not the other way around.
8 FINANCE ↔	The Company's ability to trade may be compromised by a lack of cash funds. Being able to finance working capital and carry out operations is fundamental to the Connective.	• Conduct half-yearly 'going concern' reviews and longer-term viability assessments. • Continually monitor Kin + Carta's performance against its banking covenants. • Undertake monthly reviews of working capital, cash forecasts and headroom on banking covenants. • Periodically review the Connective's financial KPIs with its bankers.
9 PENSION SCHEME ↔	The Company has a Defined Benefits Pension Scheme (the 'Scheme'), which is currently in a funding deficit. 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. An increase in the deficit could lead to higher contributions being made by the Company.	• Agree deficit recovery plan with the Pension Scheme Trustee. • Regularly engage the Trustee directors in discussions on the Connective's performance. • Contribute to discussions on the Scheme's investment strategy. • Proactively seek to limit the growth in the pension liability.

Risk	Description	Mitigating activities
	Failure to adequately protect, prevent or respond to a data breach or cyber attack would expose the Connective to non-compliance with the General Data Protection Regulation ('GDPR'), reputational damage, fines, disruption to the business and/or the loss of information for our clients, employees or business. It is vital that we continue to educate our people, maintain vigilance across the Connective and scrutinise our existing capabilities to reduce the likelihood of attack or breach in a fast-changing environment with regularly evolving external threats.	• IT functions in place around the Connective with responsibility to protect data (e.g. encryption, firewalls, restricted access). • Employee awareness drives and training regarding data protection and education on external threats. • Periodic reviews by Internal Audit, utilising in-house IT as well as specialist external consultants. Cyber security and IT questionnaire completed periodically by subsidiaries to highlight areas of potential risk, together with any mitigating actions performed in order to address this risk. • A Data Protection Officer in place for the Connective to assist with its 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.

Key to change in risk level:

↑ Higher

↔ No Change

↓ Lower

NON-FINANCIAL INFORMATION REGULATION

Under sections 414CA and 414CB of the Companies Act 2006, as amended by The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, we must include in our Strategic Report certain non-financial information. Information required by these Regulations is included in Our Business Model (pages 10 and 11), Our Positive Impact (pages 42 to 49) and our Principal Risks and Uncertainties reports (pages 50 to 55).

This Strategic Report on pages 8 to 55 was approved by the Board of Directors and signed on its behalf by

J Schwan

CHIEF EXECUTIVE OFFICER
1 OCTOBER 2019

CORPORATE GOVERNANCE

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INFORM

CORPORATE GOVERNANCE REPORT

DEAR SHAREHOLDER

The Board invests a significant amount of time maintaining high standards of governance, in recognition of the value that it 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 31 July 2019 ('the period'), which includes individual reports from the Chair of each of the Audit Committee, Nomination Committee and Remuneration Committee on pages 66 to 94.

BOARD OF DIRECTORS AND ITS MEMBERSHIP

The Board meets at regular intervals and is responsible 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 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 considered the nature of the Non-Executive Directors' other appointments, any potential conflicts of interest they have identified and their length of service. Their individual circumstances were also assessed against the independence criteria set out in the UK Corporate Governance Code 2016 (the 'Code'). 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. During the period, Mike Butterworth fulfilled the role of Senior Independent Director to 31 December 2018. He was succeeded by Helen Stevenson who became Senior Independent Director on 1 January 2019.

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 while 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 appointment, reappointment and retirement of Directors. All of the continuing Directors will retire at the 2019 Annual General Meeting (the 'AGM') and seek re-election, except for John Kerr, Chris Kutsor and Michele Maher who were appointed as Non-Executive Chairman Designate, Chief Financial Officer and Non-Executive Director respectively during the period and will therefore seek election at the AGM. As part of a planned succession process and in line with the new provisions of the UK Corporate Governance Code 2018, I will retire as Chairman and member of the Board at the AGM and Mike Butterworth resigns as Independent Non-Executive Director on the date of this report.

The Board's membership throughout the period and the Directors' attendance at scheduled meetings of the Board is set out in the table on page 61.

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 Connective's specialisms 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 the 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. Where appropriate, the Directors may obtain independent professional advice in respect of their duties to the Board and its committees at the Company's expense. Each Director also has access to the advice and services of the Company Secretary who advises the Board on corporate governance matters and has responsibility for ensuring that board procedures are observed.

The areas of focus for the Board during the period were: the Connective's strategy and rebranding; trading performance; corporate governance, including Board composition and the implications of the UK Corporate Governance Code 2018 and the actions necessary to implement the new provisions for the financial year ending in 2020; reviewing key risks and how they are being managed; the Connective's triple bottom line initiatives; and health and safety performance. The Board also held an annual strategic review away-day in the Chicago offices of Kin + Carta Solstice at which, *inter alia*, presentations were received from the senior executives of five of the Connective's digital and data specialisms.

BOARD INDUCTIONS

On appointment, each Director receives an induction tailored to their skill set, previous experience and knowledge of the markets in which the Connective operates. The induction is designed to broaden the Directors' understanding of the Connective, its specialisms' operations, strategic priorities, people and culture.

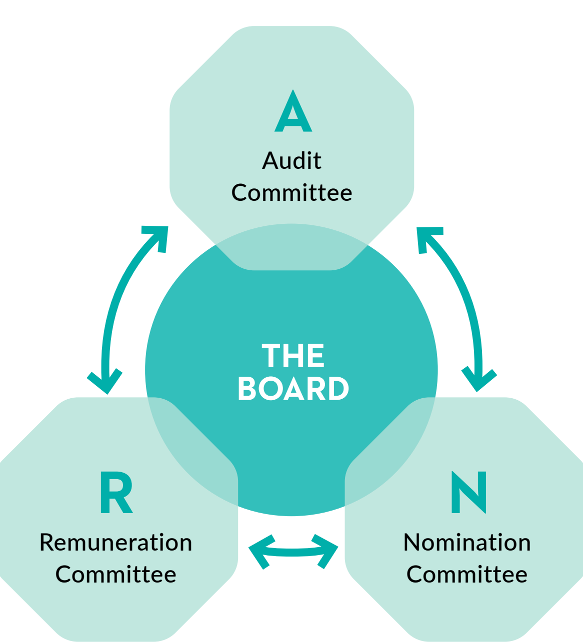
Chris Kutsor joined the Board as Chief Financial Officer on 17 June 2019. Through his induction, he met with the Board of Directors and the Finance Directors of each of the specialisms and received appropriate induction materials and briefing sessions, including training around the responsibilities and obligations of being a director of a listed company.

Michele Maher joined the Board as an Independent Non-Executive Director on 15 May 2019 and John Kerr joined the Board as Non-Executive Chairman designate on 22 July 2019. As part of their inductions, John and Michele met with the Board of Directors and received materials such as Company policies and information related to the Company's Directors' and Officers' liability insurance.

CORPORATE GOVERNANCE REPORT
CONTINUED

BOARD COMMITTEES

The Board is supported by Audit, Nomination and Remuneration Committees. The table on page 61 sets out the Directors who served on each of the Committees and their meeting attendance during the period. The Company Secretary acts as Secretary to all the Committees and each Committee has written terms of reference, which are available on our website (www.kinandcarta.com).



A **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 monitoring of internal controls. The Audit Committee Report on pages 66 to 69 discusses the principal activities of the Committee during the period, the significant matters which were considered and how the Committee addressed them.

N **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 the Board members. It oversees succession planning, is responsible for the identification and nomination of candidates to fill Board positions and recommending the re-election of Directors. A report on the activities of the Nomination Committee and its membership throughout the period is set out on pages 70 and 71.

R **Remuneration Committee**. The Remuneration Committee is responsible for determining the remuneration policy and its application in relation to the Executive Directors' remuneration, while supporting shareholder value and the delivery of the Connective's strategic priorities. A letter from the Chair of the Remuneration Committee and the Directors' Remuneration Report can be found on pages 72 to 94.

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.

Directors' attendance at Board and Committee meetings during the period was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Bell	9/9	–	–	–
Mike Butterworth	9/9	3/3	2/2	4/4
Brad Gray*	7/7	–	1/1	–
John Kerr**	1/1	–	–	–
Chris Kutsor*	2/2	–	1/1	–
Michele Maher***	3/3	1/1	1/1	2/2
Nigel Pocklington	9/9	3/3	2/2	4/4
J Schwan	9/9	–	2/2	–
Helen Stevenson	9/9	3/3	2/2	4/4
Richard Stillwell	9/9	–	2/2	–

This table only details attendance at meetings in the scheduled annual meeting calendar; other ad-hoc meetings were held during the period. This table is based on each Director's maximum possible attendance at these meetings. On 4 August 2018, Matt Armitage resigned from the Board and its Committees. Accordingly, Matt was not eligible to attend any of the Board meetings during the period.

* Brad Gray stepped down from and Chris Kutsor was appointed to the Board on 17 June 2019.
** John Kerr was appointed to the Board on 22 July 2019.
***Michele Maher was appointed to the Board on 15 May 2019.

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

BOARD AND COMMITTEE PERFORMANCE EVALUATIONS

During the period, internally facilitated evaluations of the effectiveness of the Board were undertaken. The evaluations took the form of one-to-one interviews between the Chairman and each Director, with the exception of John Kerr, Chris Kutsor and Michele Maher who each underwent a formal selection process that evaluated the skills and experience that they could bring to the Board. An evaluation of the Chairman was carried out by the Non-Executive Directors, led by the Senior Independent Director at the time, Mike Butterworth. Following the evaluations, the Board was satisfied that it is operating effectively. Recommendations following the evaluation of the effectiveness of the Board were implemented. These included:

- greater consistency in the format and presentation of reports to the Board to aid understanding and comparison; and
- developing new KPIs for inclusion in the Board papers in line with the transformation of the business.

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

Internal questionnaires were sent to the Committees' members to assess the effectiveness of the Committees following the period. The outcome in each case was that they continued to operate effectively and were well chaired.

In 2017, an independent evaluation of the Board and its Committees was externally facilitated by The People Stuff, a third party consultancy. The Board and its Committees typically undertake externally facilitated performance evaluations every two years. In view of the changes to the composition of the Board during the period, the Board determined it would be beneficial to undertake externally facilitated evaluations of its effectiveness during the financial year ending in 2020. This is in accordance with the Code's best practice provisions on the frequency of externally facilitated evaluations.

CORPORATE GOVERNANCE REPORT
CONTINUED

INTERNAL CONTROL AND RISK MANAGEMENT

In compliance with the Code, and having due regard to the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Group has in place a corporate reporting and risk management framework.

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing the effectiveness of those controls. The system of internal control is designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss, fraud or breaches of laws and regulations.

As part of the annual budget process, each specialism is required to submit an analysis of strengths, weaknesses, opportunities and threats to the Board. Once consolidated by the Group's finance function, the Board's Executive Directors review this detail with senior managers of the specialisms, 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 specialisms across the Connective 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 50 to 55 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 the mitigating actions approved by the Board.

The Board carries out half-yearly reviews 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 nine scheduled Board meetings per annum, an annual Board strategy away day, regular meetings of senior management within each specialism which are chaired by an Executive Director, and regular management meetings of each operation within the specialisms. 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 as appropriate.

The Connective's Internal Audit function consists of a qualified accountant who, as necessary, draws on additional resource from professional services firms. The Internal Audit work plan is linked closely to the risk management framework, with the plan designed to give assurance around key risk areas. Subsequent to the period end, the Audit Committee undertook an evaluation of the effectiveness of the Internal Audit function. The conclusions and actions arising from the evaluation are to be described in the report for the financial year ending in 2020.

The Internal Audit function independently reviews the risk identification procedures implemented by management. Internal Audit reviews risk registers of the specialisms and ensures they are updated by the Finance Directors of each specialism. 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. Control testing of accounts receivable, accounts payable, payroll and credit control cycles took place at selected sites, according to the cyclical audit cycle. 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 specialisms, reviewed by the Head of Internal Audit and supplied to the external auditors. Any inconsistencies identified with the Group's established corporate governance frameworks are disclosed to the Audit Committee.

COMPLIANCE STATEMENT

For the period ended 31 July 2019, the UK Corporate Governance Code issued by the Financial Reporting Council in April 2016 (the 'Code') is the corporate governance standard applying to Kin and Carta plc as a FTSE SmallCap company with a Premium listing on the Main Market of the London Stock Exchange. The Code requires us to describe in our Annual Report our application generally of the Code's principles and explain any non-compliance with the Code's provisions. The Code can be found on the Financial Reporting Council's website (www.frc.org.uk).

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

This Corporate Governance Report, together with the reports on pages 66 to 94, describes how the Board has applied the Code's principles and where it has adopted additional elements of corporate governance good practice.

In July 2018, the FRC published a revised Corporate Governance Code which applies to accounting periods beginning on or after 1 January 2019. During the period, the Board considered the implications of the UK Corporate Governance Code 2018 and the actions necessary to implement the new provisions for the financial year ending in 2020. The Board looks forward to reporting on how it has applied the UK Corporate Governance Code 2018 in its next annual report.

This Corporate Governance Report was approved by the Board of Directors and signed on its behalf by

Richard Stillwell

CHAIRMAN
1 OCTOBER 2019

BOARD OF DIRECTORS

RICHARD STILLWELL | CHAIRMAN

APPOINTED: 26 April 2011

CAREER: Richard joined the Board on 1 September 2006 and was appointed Chairman of the Company on 26 April 2011. He 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, where he was Chairman, TBI Ltd and Fibreweb plc, as well as Albertis Motorways UK Ltd and Albertis Overseas (UK) Ltd.

Richard will retire as Chairman and member of the Board and its committees at the conclusion of the Company's 2019 AGM.

RELEVANT SKILLS AND EXPERIENCE: Richard has considerable experience of serving on boards and committees and overseeing the transformation of businesses. He brings calm and intentional leadership to the Board.

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.

J SCHWAN | CHIEF EXECUTIVE OFFICER

APPOINTED: 4 August 2018

CAREER: J is the Founder and former CEO of Solstice, a digital innovation firm. He grew Solstice to 400 employees at a 25% CAGR without any external investment until its sale to the Company in 2015. Solstice continued to scale at the same growth rate under J's leadership for the following three years. During his tenure, Solstice was also continually recognised as a Best Place to Work by Forbes and Fortune. In August 2018, J became the CEO of the Company and has led its transition into a global leader in digital transformation services.

J has been inducted into the Chicago Entrepreneurship Hall of Fame, is an EY Entrepreneur of the Year finalist, was awarded the University of Illinois College of Engineering Young Alumnus of the Year award and is a recipient of Tech Week 100.

He received his Bachelors in Materials Science Engineering from the University of Illinois at Urbana Champaign and began his career at Accenture.

RELEVANT SKILLS AND EXPERIENCE: J has been at the forefront of digital transformation throughout his career and has a proven track record of delivering high levels of growth. His deep understanding of the digital transformation sector and substantial entrepreneurial expertise are assets to the Board.

OTHER ROLES: J serves on the Foundation Board of Lurie Children's Hospital.

CHRIS KUTSOR | CHIEF FINANCIAL OFFICER

APPOINTED: 17 June 2019

CAREER: Chris has led finance organisations spanning billion-dollar operations, venture capital investing and strategic sales functions. He most recently served as the Investor Relations Officer of a global Fortune 500 technology firm. Chris holds an MBA in Strategy and Finance from The University of Chicago Booth School of Business.

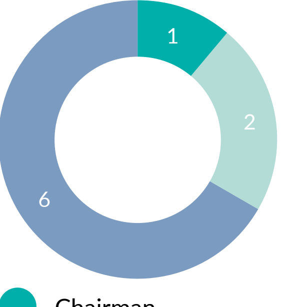
RELEVANT SKILLS AND EXPERIENCE: Chris is a seasoned executive with proven financial leadership in the technology sector. He brings to the Board broad financial expertise and a strong history of managing effective relationships with the institutional investor community and media.

OTHER ROLES: Chris serves as a board director to First Light USA, LLC, a privately held technology development company.

COMMITTEE MEMBERSHIP

- Chair of the Committee
- A Member of the Audit Committee
- N Member of the Nomination Committee
- R Member of the Remuneration Committee

BOARD STRUCTURE AS AT 31 JULY 2019



- Chairman
- Executive
- Non-Executive

OTHER DIRECTORS WHO SERVED DURING THE PERIOD

Matt Armitage, Chief Executive Officer, stepped down from the Board on 4 August 2018.

Brad Gray, Chief Financial Officer, stepped down from the Board on 17 June 2019.

DAVID BELL
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED: 4 August 2018

CAREER: David served as CEO of two of the world's largest advertising marketing services companies, NYSE-listed True North and Interpublic Group. 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 held a similar position with AOL/Oath since 2009. David was elected by his peers into the Advertising Hall of Fame in the USA 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.

RELEVANT SKILLS AND EXPERIENCE: David's extensive experience in digital media is an asset to the Board, contributing to the development and implementation of its digital transformation growth strategy. He also has deep knowledge of the US market which is a key geography for the business.

OTHER ROLES: David is currently an independent director of Creative Realities Inc.

MIKE BUTTERWORTH (A) (N) (R)
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED: 1 August 2010

CAREER: Mike is a Chartered Accountant and served for eight years as Group Finance Director of Cookson Group plc, a FTSE250 company, until December 2012 when Cookson 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.

Having served nine years on the Board as a Non-Executive Director, Mike will stand down from the Board and its committees on 1 October 2019.

RELEVANT SKILLS AND EXPERIENCE: Mike contributes recent and relevant financial experience having worked in various finance roles in a wide range of industries. He has considerable experience of serving on the boards of listed companies in both executive and non-executive capacities.

OTHER ROLES: Mike is Non-Executive Director and Chair of the Audit Committee of Stock Spirits Group plc.

JOHN KERR (N)
NON-EXECUTIVE CHAIRMAN DESIGNATE

APPOINTED: 22 July 2019

CAREER: John previously acted as Chief Executive of Deloitte Consulting, leading the creation of Deloitte Digital, the first dedicated digital consulting business. He grew the business organically and by strategic acquisition. John holds a BA from the University of Strathclyde and is a member of the Institute of Chartered Accountants of Scotland.

John will become Chairman at the conclusion of the 2019 AGM, succeeding Richard Stillwell, who will step down as part of a planned succession process outlined in November 2018.

RELEVANT SKILLS AND EXPERIENCE: John brings to the Board strong leadership skills and considerable senior board level expertise. He has extensive experience in helping businesses develop their digital capabilities and advising global businesses on how best to position themselves for growth. This enables John to contribute wide-ranging global, strategic and advisory knowledge and insight to the Board.

OTHER ROLES: John is Chairman of LC Financial Holdings Limited and is a Non-Executive Adviser to Travers Smith LLP. He also serves as a Trustee of Plan International UK.

MICHELE MAHER (A) (N) (R)
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED: 15 May 2019

CAREER: Michele most recently served as Chief Financial Officer of Hogg Robinson Group plc. She trained with KPMG and held various positions at technology solutions company, Dell. Michele is a Fellow of the Institute of Chartered Accountants and holds an Executive MBA from Cranfield.

Michele will chair the Audit Committee with effect from 2 October 2019 when she will replace Mike Butterworth who will stand down from the Board and its committees on 1 October 2019.

RELEVANT SKILLS AND EXPERIENCE: Michele is a chartered accountant and provides the Board and the Audit Committee with relevant financial expertise, gained through an established career in senior finance and management roles across a range of business sectors. This comprehensive experience makes her ideally suited to chair the Audit Committee and to act as its financial expert.

OTHER ROLES: Michele has no other appointments to disclose.

NIGEL POCKLINGTON (A) (N) (R)
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED: 1 June 2016

CAREER: Nigel is currently Chief Commercial Officer of Moneysupermarket Group plc. Prior to this, he held a variety of senior roles within Expedia Inc., including President of eBookers and Chief Marketing Officer of Hotels.com. He spent a decade of his early career at Pearson plc, including a period leading the digital operations of the Financial Times.

RELEVANT SKILLS AND EXPERIENCE: Nigel has strong, relevant and current commercial experience at a senior management level in a variety of global digital businesses, ranging from global e-commerce to financial technology. He currently serves as Chair of the Remuneration Committee. Nigel's experience gained from his membership of that committee for over two years prior to being its Chair, combined with his understanding of employee and investor viewpoints, make him well suited to chairing the Remuneration Committee.

OTHER ROLES: Nigel is Chief Commercial Officer of Moneysupermarket Group plc.

HELEN STEVENSON (A) (N) (R)
SENIOR INDEPENDENT DIRECTOR

APPOINTED: 1 May 2012

CAREER: Helen served as 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.

RELEVANT SKILLS AND EXPERIENCE: Having served on the Board as a Non-Executive Director for seven years, Helen has developed strong knowledge and understanding of the Company and its governance. She has considerable marketing and digital experience and has held numerous board positions in various sectors, enabling her to contribute a unique perspective on matters. This varied experience makes her well-suited to the role of Senior Independent Director, a position she took on in January 2019.

OTHER ROLES: Helen currently holds Non-Executive Directorships with the Skipton Building Society and Reach plc. She also serves on Henley Business School's Strategy Board and is a Governor of Wellington College.

AUDIT COMMITTEE REPORT

The Audit Committee's key role is to monitor the integrity of financial reporting and gain assurance around the processes that support it, including internal control, risk management and legal and regulatory compliance.

DEAR SHAREHOLDER

On behalf of the Audit Committee, I am pleased to present its report for the period ended 31 July 2019. 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 website (www.kinandcarta.com).

CURRENT MEMBERSHIP

I chaired the Committee up to the date of this report, 1 October 2019, bringing recent and relevant financial experience, having served as Chief Financial Officer of a FTSE 250 company for eight years until December 2012.

I am standing down from the Board and its Committees with effect from the date of this report, having served nine years as a Non-Executive Director. With effect from 2 October 2019, Michele Maher will chair the Committee; Helen Stevenson and Nigel Pocklington will continue to serve as members. Michele has recent and relevant financial expertise, having been Chief Financial Officer of Hogg Robinson Group plc until its sale in 2018, and is a Fellow of the Institute of Chartered Accountants. The Board is satisfied that all members bring extensive expertise to the Committee. All members of the Committee are Non-Executive Directors and 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 have been in frequent contact with both the external audit partner and the Head of Internal Audit.

KEY ACTIVITIES

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

- agreed an internal audit plan with the Group's Head of Internal Audit;
- considered reports from the 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;
- recommended to the Board the appointment of PricewaterhouseCoopers LLP ('PwC') as external auditor;
- 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;
- considered the requirements under IFRS 8 Segmental Reporting standard and concluded that the presentation of a single operating segment with corporate costs classified separately is in line with the Connective operating model;
- 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 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 2019

The Committee undertook a review and assessment of the Annual Report and Accounts for the period ended 31 July 2019 (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 considered and discussed a detailed review and verification process of the Annual Report undertaken by management and provided assurance 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 auditor.

AUDIT COMMITTEE REPORT
CONTINUED

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 (£85.7 million) and intangible assets (£25.6 million)	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. 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. The Committee was satisfied with the assumptions applied to support the carrying value of goodwill of £85.7 million and intangible assets of £25.6 million.
The classification of Adjusting Items (£15.8 million before tax)	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. The accounting policy on Adjusting Items can be found in note 2 to the consolidated financial statements and in the Alternative Performance Measures section on pages 36 to 41.
The valuation of the St Ives Defined Benefits Pension Scheme (£6.7 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 28. The assumptions presented to the Audit Committee by management are underpinned by actuarial advice. The Audit Committee considered the suitability of the actuary.

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 pages 95 and 96.

VIABILITY

An overview of the viability assessment process was provided to, and reviewed by, the Audit Committee. The viability assessment was then provided to the Board to assist in its evaluation of the Company's longer-term viability in order to make the statement found on page 96.

EXTERNAL AUDITOR

As previously reported, following a competitive tender process, PwC were appointed at the 2018 AGM replacing Deloitte LLP as the Company's external auditor. The external auditor's appointment is reviewed regularly and, in accordance with the Financial Reporting Council's ('FRC') Ethical Standard, the Lead Audit Partner will be rotated at least once every five years. The Company has no current retendering plans but is mindful of the best practice provisions of the Statutory Audit Services Order.

Following the conclusion of the first year of PwC's audit involvement, the Committee proposes to undertake an assessment of the effectiveness of the external audit process during the year, the outcome of which will be disclosed in the annual report for the financial year ending in 2020.

The Committee's policy on the engagement of the external auditor for non-audit services, 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 auditor to perform non-audit services.
c. Cumulative non-audit fees from 2019/20 onwards are capped at 70% of the average of the audit fees for the Group for the preceding three-year period. PwC were first appointed as auditor for the 2018/19 financial year, therefore this cap is applicable from the 2020/21 financial year onwards.
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.
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. Following PwC's appointment, the non-audit fees for the period were £45,000 as disclosed in note 5 to the consolidated financial statements.

The Committee also considered the robustness of PwC'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 PwC's objectivity and independence. The Committee is satisfied that there are no relationships between the Company and PwC, its employees or its affiliates that may reasonably be thought to impair the auditor's objectivity and independence. The Committee met with PwC without any Executive Director or management present 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 auditor may not wish to raise with the executives being present.

The Committee is satisfied with the independence, performance and effectiveness of the external auditor and has recommended to the Board that a resolution be proposed at the AGM that PwC be reappointed as auditor of the Company to hold office until the conclusion of the 2020 Annual General Meeting.

Mike Butterworth

CHAIR OF AUDIT COMMITTEE
1 OCTOBER 2019

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 present its report for the period ended 31 July 2019. 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, experience, independence and knowledge represented on the Board and ensure that the Board is appropriately refreshed.

CURRENT MEMBERSHIP

The Committee comprises Mike Butterworth (to the date of this report), John Kerr, Chris Kutsor, Michele Maher, Nigel Pocklington, J Schwan, Helen Stevenson and myself as Chair. It is important to our Board that the selection process is appropriate to the particular circumstances and that any decision made to nominate a new member of the Board is collective.

KEY ACTIVITIES

Board changes

During the period the Committee considered the composition of the Board generally and Board level succession planning. The Committee's succession planning was in respect of the roles of Chairman, Senior Independent Director, Chair of the Audit Committee, Chair of the Remuneration Committee and Chief Financial Officer. External search agencies Russell Reynolds and Sam Allen Associates were engaged to support the recruitment process for the positions of Chairman, Chair of the Audit Committee and Chief Financial Officer. The Company has no other connections with Russell Reynolds or Sam Allen Associates.

In November 2018, I announced my intention to resign as Chairman of the Company at the conclusion of the 2019 AGM, having been Chairman since 2011 and a Non-Executive Director since 2006. Russell Reynolds were engaged to identify prospective successors. A rigorous search was undertaken and, following a series of interviews, the Committee, led by the Senior Independent Director, Helen Stevenson, recommended to the Board the appointment of John Kerr as Non-Executive Chairman Designate. John joined the Board as Non-Executive Chairman Designate on 22 July 2019 and will assume the role of Chairman at the conclusion of the Company's 2019 AGM. He brings strong leadership skills and extensive experience in helping businesses develop their digital capabilities, having previously acted as CEO of Deloitte Consulting and leading the creation of Deloitte Digital globally.

The Committee planned for the succession of Mike Butterworth who resigns from the Board on the date of this report, having served as a Non-Executive Director and Chair of the Audit Committee for nine years and Senior Independent Director to 31 December 2018. On 1 January 2019, Helen Stevenson, having served as Non-Executive Director for seven years, succeeded Mike Butterworth as Senior Independent Director. On the same date, she stepped down as Chair of the Remuneration Committee, a role that was assumed by Nigel Pocklington who served on that committee for over two years prior to his appointment as Chair. Sam Allen Associates were engaged to identify candidates for the Chair of the Audit Committee position. Following a rigorous search, the Committee recommended the appointment of Michele Maher, recognising the value her extensive financial expertise, most recently as Chief Financial Officer of Hogg Robinson Group plc, alongside experience at the technology solutions company, Dell, would bring to the Board. Michele has served as a Non-Executive Director since 15 May 2019 and will chair the Audit Committee from 2 October 2019.

Brad Gray resigned from the Board as Chief Financial Officer on 17 June 2019. Sam Allen Associates were engaged to identify prospective candidates for the Chief Financial Officer position. After a series of interviews and meetings, the Committee identified Chris Kutsor as the appropriate candidate for the role. Chris brings to the Board experience as Finance Director of various businesses within Motorola Solutions, a global Fortune 500 technology solutions company. He was most recently the Investor Relations Officer for Motorola Solutions.

Following recommendations from the Committee, during the period, the Board unanimously approved the appointments of John Kerr, Chris Kutsor and Michele Maher.

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.

Diversity

The Board supports the increasing focus on the composition of boards and the emphasis on diversity. It agrees that diversity within the boardroom and within the specialisms is important to the success of the Connective, improving adaptability, agility and supporting long-term growth and sustainability. The Board and the Committee are pleased that the Board's gender diversity increased during the period with the appointment of Michele Maher, taking the number of female Board directors to two (2017/18: one).

The Committee oversees the assessment of the effectiveness of the Board, considering the Board's optimal composition and leading the diversity agenda. Following recommendations from the Committee, the Board adopted a Diversity Policy in September 2019, which is available to view on our website www.kinandcarta.com. The Board Diversity Policy recognises that diversity of the Board's gender, ethnicity and other underrepresented groups can have a positive impact on the quality of decision-making. It sets several measurable objectives, including to increase female representation on the Board to 33% by 2022 and increase the representation on the Board of people from ethnic minorities to a minimum of one director by 2024. All Board appointments are made on merit and against objective criteria, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

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

The Committee discharged its other principal duties during the period by:

- ensuring that an appropriate review of Board, Committee and Director effectiveness was undertaken;
- 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
1 OCTOBER 2019

LETTER FROM CHAIR OF THE REMUNERATION COMMITTEE

I am pleased to present our Directors' Remuneration Report for the period ended 31 July 2019.

AT A GLANCE:

Summary for Executive Directors

Performance and remuneration for 2018/19

- 2018/19 annual bonus pay-out of 25% of maximum
- 2016 LTIP award vesting 0%

Implementation for 2019/20

- No salary increases
- Bonus of up to 100% salary, based 75% on Adjusted PBT and 25% on strategic/personal objectives
- LTIP vesting 50% on Relative TSR, 25% on growth in Adjusted revenue and 25% on growth in Adjusted PBT
- LTIP grants at 100% of salary for the CEO and 200% of salary for the recently recruited CFO reflecting part of his buyout arrangements
- 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 SmallCap sector.

DEAR SHAREHOLDER

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present the Directors' Remuneration Report for the period ended 31 July 2019 covering the remuneration of Executive and Non-Executive Directors. This was my first year leading the Committee, succeeding Helen Stevenson in January 2019, and I would like to take this opportunity to thank Helen for her strong leadership of the Committee over the last five years.

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 2019 AGM.

BOARD CHANGES

As announced last year, J Schwan took over the role of Chief Executive Officer from Matt Armitage with effect from 4 August 2018 and served in this role for the full financial period.

We announced on 10 May 2019 that Brad Gray, would be stepping down from his role as Chief Financial Officer and member of the Board with effect from 17 June 2019, continuing in full time employment with the Group to facilitate an orderly handover until the end of the financial period. Details of the remuneration arrangements relating to Brad's departure from the Group are included on page 90.

Brad was succeeded as Chief Financial Officer on 17 June 2019 by Chris Kutsor, an experienced external hire serving most recently as the Investor Relations Officer for Motorola Solutions. Details of Chris' remuneration arrangements on appointment are detailed on page 89 ; however in summary he was appointed on a base salary of US$325,000, a pension contribution in line with the majority of Group employees of 5% of salary, and he will be eligible to participate in the Group's annual bonus and LTIP from 2019/20 onwards on broadly the same basis as his predecessor. As part of his recruitment, the Committee took into account the need to compensate Chris for incentives forfeited by leaving his previous employer and agreed a balanced buyout package in accordance with the Remuneration Policy, details of which are included on page 89.

This year we were also pleased to welcome three new Non-Executive Directors to the Kin + Carta Board: David Bell (with effect from 4 August 2018); Michele Maher (with effect from 15 May 2019); and John Kerr (as Non-Executive Chairman Designate, with effect from 22 July 2019). Fees paid to David, Michele and John are in line with the fees paid to the other Non-Executive Directors, as disclosed on page 84.

PERFORMANCE AND REWARD FOR 2018/19

Significant progress has been made during the year in launching the Connective proposition to clients which is central to the Group's overall strategy. We see exciting opportunities for the year ahead with the Group well positioned in its transformation journey.

Targets for Executive Directors' 2018/19 bonuses were based 75% on Adjusted PBT (measured before strategic investments) and 25% on strategic/personal objectives. Although Adjusted PBT of £19.6 million (before strategic objectives of £2 million, as approved by the Committee) supported a payout of 31% of salary, the Committee and the Executive Directors agreed that no payout for the PBT element of the 2018/19 bonus would be made in light of the Group's overall financial performance. The strategic and personal objectives were achieved in full and are disclosed on page 85. Therefore, in total a bonus award of 25% of annual salary will be paid. A summary of actual performance against the targets is included on page 85.

The Annual Report on Remuneration also gives details of LTIP awards granted in November 2016. These awards originally included an element based on the proportion of operating profit from Strategic Marketing, however as a result of the disposals of the Marketing Activation and Books segments in 2017/18, the Committee considered that this was no longer a relevant measure of performance (as it would be 100% by default) and resolved instead to increase the weighting on the relative TSR (from 50% to 75%). In terms of performance, the Company's 2018/19 Adjusted basic EPS performance, weighted 25%, did not meet the relevant targets and this element of the award will therefore lapse. On relative TSR the Company's performance was below the median for its comparator group and therefore the award will lapse in full. Further details are provided on page 86.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2019/20

As detailed above, Chris Kutsor was appointed as Chief Financial Officer and he receives an annual salary of US$325,000 in line with his predecessor at the relevant exchange rate. In respect of the Chief Executive Officer, the Committee determined that the salary of J Schwan would remain at £400,000 per annum.

The annual bonus will operate on a similar basis as in 2018/2019. 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 share issuances to fund acquisition-related 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 reiterates its intention that the use of Adjusted PBT is a temporary change reflecting the current stage in the Company's transition to a digital transformation business and that we expect to revert to EPS over the longer term.

LETTER FROM CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

LTIP grant sizes will be 100% of salary in respect of the Chief Executive Officer and 200% of salary in respect of the Chief Financial Officer, reflecting part of his buyout arrangements. Vesting will be subject to stretching targets, underpinned by Committee discretion. The Committee has reviewed the performance measures and weightings applying to this year's awards to ensure they remain aligned with Group strategy and is proposing a number of changes as follows:

- the elements based on Adjusted Revenue and growth in Adjusted PBT will each be upweighted from 15% to 25% of the total award to reinforce the Group's profitable growth strategy; and
- to accommodate these increases, the weighting on TSR will be reduced from 70% to 50% of the total award. Reflecting feedback from shareholders and market practice, we will also revert to measuring TSR on a relative basis against the constituents of the FTSE AllShare Index.

As before, LTIP awards are subject to a two-year holding period after vesting.

These proposals are consistent with the Remuneration Policy approved by shareholders at the 2017 AGM. Further details of the implementation of our Remuneration Policy for 2019/20 are provided on pages 91 and 92.

LOOKING AHEAD

2018 saw the publication of additional remuneration reporting regulations, as well as a revised UK Corporate Governance Code. Although Kin + Carta's compliance with these new requirements is not strictly required until next year, we have adopted some of the requirements early. In particular, shareholders will note that we have reduced pension contributions for new Executive Director hires (including Chris Kutsor) to be in line with the rate offered to the majority of employees. We are not yet in a position to disclose a ratio of CEO-to-employee pay, although the Committee fully supports this initiative and is working to ensure that we have meaningful disclosure next year and beyond.

The 2020 AGM will mark the third anniversary of the current Remuneration Policy. Accordingly, the Committee will be undertaking a review of the current Policy during the 2019/20 financial year to ensure it remains appropriate and continues to support Kin + Carta's strategic focus. As part of this process, the Remuneration Committee welcomes feedback from our shareholders and will be initiating a consultation programme later in the year.

On behalf of the Committee, I hope that we can count on your continued support at this year's AGM.

Nigel Pocklington

CHAIR OF THE REMUNERATION COMMITTEE
1 OCTOBER 2019

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 Code relating to Directors' remuneration and takes into account the views of our major shareholders. The legislation requires the auditor 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 75 and 94, 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 AGM 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

Normally reviewed annually with increases effective from 1 August. Salaries are paid monthly.

In setting salaries, the Committee takes into account the following:

- 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

Executive Directors' salaries effective 1 August 2019 are as follows:

- Chief Executive Officer, J Schwan: £400,000 p.a.; and
- Chief Financial Officer, Chris Kutsor: US$325,000 p.a.

No monetary maximum has been set, although increases are generally in line with the range (in percentage of salary terms) awarded across the Group.

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.

Performance metrics

Not applicable.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Benefits

Purpose and link to strategy / Operation	Maximum potential value / Performance metrics
Purpose and link to strategy To provide market competitive, yet cost-effective, benefits to attract and retain high-calibre executives.	**Maximum potential value** The maximum annual car and fuel allowance is £15,520. 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. 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 84.
Operation Benefits generally include provision of a car, or cash in lieu of car and fuel allowance, and private medical and life assurance cover. 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. 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.	**Performance metrics** Not applicable.

Pension

Purpose and link to strategy / Operation	Maximum potential value / Performance metrics
Purpose and link to strategy To provide market competitive, yet cost-effective benefits.	**Maximum potential value** Up to 15% of salary*.
Operation Only basic salary is pensionable. 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.	**Performance metrics** Not applicable.

* As noted in the Letter from the Chair of the Remuneration Committee, the Remuneration Policy will be reviewed in 2019/20; the policy on pensions will be considered as part of this process. New Executive Directors will receive a pension contribution in line with the rate offered to the majority of employees (currently 5% of salary).

Annual bonus

Purpose and link to strategy	Maximum potential value
Incentivises achievement of annual objectives which support the short-term performance goals of the Company.	100% of basic salary.
Operation	**Performance metrics**
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. Payments under the annual bonus plan are subject to: • 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. Deferred shares will generally be forfeited if a Director leaves the Group (unless in certain good leaver situations or if the Committee determines otherwise). Dividends and/or dividend equivalents are payable on the deferred bonus shares during the two-year holding period.	Performance is measured over one financial year. Bonus awards are subject to achievement against a sliding scale of challenging financial targets and may also be subject to challenging strategic/personal objectives. 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. 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. Page 91 of the Annual Report on Remuneration provides details of the performance measures and weightings to apply for the year ending 31 July 2020.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Long-Term Incentives

Purpose and link to strategy
Incentivises executives to achieve superior financial growth and returns to shareholders over the longer term.

Provides alignment with shareholders through awards of shares.

Promotes retention of key individuals.

Operation
The Long-Term Incentive Plan ("LTIP") was approved by shareholders in 2010.

Awards can be in the form of an option, a conditional award or a forfeitable award.

Eligibility to receive awards is at the discretion of the Committee each year.

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.

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.

A two-year holding period following LTIP vesting applies to grants to Executive Directors from 2017/18 onwards. In total, this results in a five-year combined vesting and holding period.

The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures.

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.

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.

Maximum potential value
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.

The Company operates within a 10% in ten years ABI (new share issue) dilution limit.

Performance metrics
Performance is measured over a three-year period.

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.

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.

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.

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.

Page 92 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 31 July 2020.

All-employee share schemes

Purpose and link to strategy
Encourages long-term shareholding in the Company.

Operation
Invitations made by the Committee under the HMRC Approved Sharesave Scheme.

Executive Directors may participate in a monthly savings contract on the same terms as other employees of the Group.

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	Maximum potential value
To provide alignment between executives and shareholders.	Not applicable.
Operation	**Performance metrics**
The Committee operates shareholding guidelines of 200% of salary for the Chief Executive Officer and 150% of salary for other Executive Directors. 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. The Committee may take account of progress towards this target when determining LTIP awards.	Not applicable.

Notes to the Policy Table

1. While the remuneration policy for Executive Directors is designed having 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.
2. 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 2017/18, 2018/19 and 2019/20 vest subject to stretching targets. The 2017/18 award vests subject to targets relating to Absolute TSR and growth in Adjusted operating profit from continuing operations, the 2018/19 award vests subject to targets relating to Absolute TSR, Adjusted revenue and Adjusted PBT, and the 2019/20 award vests subject to Relative TSR, Revenue growth 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.
3. 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.
4. For the avoidance of doubt, in approving this Directors' 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.
5. 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), prorated 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 prorating. 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.
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	Maximum potential value
To attract and retain high-calibre individuals without prejudice to the application of independent views.	For 2019/20, 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 (and Non-Executive Chairman Designate) fee is set at £130,000 p.a. 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. The maximum aggregate fees are set in accordance with the Company's articles of association.
Operation	**Performance metrics**
Non-Executive Directors' remuneration is decided by the Executive Directors and the Chairman; the Chairman's fee is set separately by the Committee. 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. Non-Executive Directors may not participate in the Group's cash or share-based incentive arrangements. Non-Executive Directors also receive reimbursement of travel and office-related expenses.	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 2018/19 and how we intend to implement the remuneration policy for 2019/20.

Membership of the Committee

Mike Butterworth, Nigel Pocklington and Helen Stevenson, all Independent Non-Executive Directors, served on the Committee throughout the period. Michele Maher joined the Committee following her appointment as Independent Non-Executive Director on 15 May 2019. The Committee was chaired by Helen Stevenson until 1 January 2019, and thereafter Nigel Pocklington until the end of 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 61 and 83.

During the period under review, the Committee, where appropriate, sought advice and assistance from the Company Secretary, Daniel Fattal, and members of the Board, including the Chairman of the Board, Richard Stillwell, the Chief Executive Officer, J Schwan, and the Chief Financial Officer, Brad Gray who was succeeded by Chris Kutsor, 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 SmallCap.

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 website (www.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 2018/19 were £19,820 (2017/18: £40,370), 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 period the Committee approved:

- outcomes of bonuses for the Executive Directors in respect of 2017/18;
- the Directors' Remuneration Report for 2017/18;
- the Executive Directors' salaries and pension provision for 2019/20;
- the Chairman's fees for 2019/20;
- the change in the proportion of operating profit from Strategic Marketing performance condition applying to the November 2016 LTIP award;
- the grant of awards in November 2018 under the Company's 2010 LTIP Plan to certain senior managers and the performance conditions attached to their vesting;
- the remuneration arrangements for Chris Kutsor on his appointment as Chief Financial Officer, including the structure of his buyout awards; and
- the remuneration arrangements and treatment of outstanding incentives for Brad Gray on his stepping down from the Group.

Summary of shareholder voting at the 2018 AGM

The following table shows the results of the last binding vote on the Remuneration Policy at the 2017 AGM, and the advisory vote on the 2017/18 Remuneration Report at the 2018 AGM:

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	97,616,773	99.87%	126,356	0.13%	97,743,129	1,754

Note 1: Includes 'discretionary' votes.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Remuneration Payable to Directors for the Period Ended 31 July 2019

Directors' single figure table (audited)

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

Director (note 1)	Basic salary/ fee 2019 £'000	Basic salary/ fee 2018 £'000	Taxable benefits (note 2) 2019 £'000	Taxable benefits (note 2) 2018 £'000	Bonus 2019 £'000	Bonus 2018 £'000	Share plans vesting (note 3) 2019 £'000	Share plans vesting (note 3) 2018 £'000	Pension benefits (note 4) 2019 £'000	Pension benefits 2018 £'000	Total 2019 £'000	Total 2018 £'000
Executive Directors												
J Schwan (note 4)	400.0	n/a	22.9	n/a	100.0	n/a	–	–	60.0	n/a	582.9	n/a
Chris Kutsor (note 5)	31.5	n/a	1.9	n/a	n/a	n/a	–	–	1.6	n/a	35.0	n/a
Non-Executive Directors												
David Bell	42.5	–	–	–	–	–	–	–	–	–	42.5	n/a
Mike Butterworth	52.1	55.0	–	–	–	–	–	–	–	–	52.1	55.0
John Kerr (note 6)	3.7	–	–	–	–	–	–	–	–	–	3.7	n/a
Michele Maher	9.2	–	–	–	–	–	–	–	–	–	9.2	n/a
Nigel Pocklington	46.9	42.5	–	–	–	–	–	–	–	–	46.9	42.5
Helen Stevenson	48.5	50.0	–	–	–	–	–	–	–	–	48.5	50.0
Richard Stillwell (note 7)	110.0	110.0	–	–	–	–	–	–	–	–	110.0	110.0
Former Directors												
Matt Armitage (note 1)	–	400.0	–	18.6	–	400.0	–	–	–	60.0	–	878.6
Brad Gray (note 8)	250.0	230.0	13.8	14.2	62.5	230.0	–	–	37.5	34.5	363.8	508.7

Notes

1. Changes in Directors and roles during the year were as follows:
   a. Chris Kutsor joined the Board as Chief Financial Officer with effect from 17 June 2019.
   b. David Bell joined the Board as Non-Executive Director with effect from 4 August 2018.
   c. Mike Butterworth stepped down as Senior Independent Director on 31 December 2018.
   d. John Kerr joined the Board as Non-Executive Chairman Designate with effect from 22 July 2019.
   e. Michele Maher joined the Board as Non-Executive Director with effect from 15 May 2019.
   f. Nigel Pocklington was appointed as Chair of the Remuneration Committee with effect from 1 January 2019.
   g. Helen Stevenson was appointed as Senior Independent Director and stepped down as Chair of the Remuneration Committee with effect from 1 January 2019.
   h. Matt Armitage resigned from the Board on 4 August 2018. Details of his leaver arrangements are included on page 90.
   i. Brad Gray stepped down as Chief Financial Officer and as a Director of the Board on 17 June 2019, continuing in full time employment with the Group until 31 July 2019.
2. Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit, medical expenses insurance cover and personal tax return preparation in required countries.
3. 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 lapsed in full in November 2018. The 2016 LTIP award will lapse in full in November 2019. See page 86 for details.
4. Pension benefits were in part paid into a Group Personal Pension Plan and part paid as cash in lieu of pension for J Schwan.
5. The remuneration of Chris Kutsor is originally denominated in US Dollars and has been converted for the purposes of the single figure table using the average £:$ exchange rate in the year of 1.2867.
6. John Kerr has elected to forego £10,000 per annum of his fee of £130,000 per annum. John Kerr's fees are shown above after foregoing this proportion of his fees for the period he was a Director during 2018/19. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.
7. 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 2018/19. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.
8. Brad Gray stepped down as Chief Financial Officer and as a Director of the Board on 17 June 2019, continuing in full-time employment with the Group until 31 July 2019. Pension benefits were paid as cash in lieu of pension. Amounts shown in the table reflect the full financial year, i.e. including the period served after his leaving the Board. Details of Brad's leaver arrangements are included on page 90.

Incentive Outcomes for the Period Ended 31 July 2019 (Audited)

Annual bonus

Executive Directors' bonuses for the period ended 31 July 2019 provided for a payment of up to 100% of salary based 75% on Adjusted PBT performance over the financial period and 25% on personal/strategic objectives. Details of performance against the financial targets set are provided below:

Financial measure	Threshold	Target (25% of salary)	Stretch (50% of salary)	Super Stretch (75% of salary)	Actual performance	% of salary earned
Adjusted PBT	No payment below target	£19m	£20.3m	£21.6m	£19.6m	0%

Note: The percentage of bonus earned between the target and the stretches is on a straight-line basis.

Adjusted PBT is shown in the table above before strategic investments of £2.0 million, in line with the approach agreed by the Committee at the start of the period. Although Adjusted PBT of £19.6 million before strategic investments would support a payout of 31% of salary, the Committee and the Executive Directors agreed that no payout for the PBT element of the 2018/19 bonus would be made in light of the Group's overall financial performance.

In addition to the above, each Executive Director was eligible to earn up to 25% of salary for the achievement of stretching strategic/personal objectives, which for 2018/19 related to Kin + Carta's strategy and priorities.

Executive Directors were assessed as having achieved their strategic/personal objectives in full, with the Committee noting:

- Executive Directors had overseen the successful launch of a new Connective operating model, bringing together the Group's core capability pillars and improving cross-selling across the business. The Committee noted in particular that the Group had over 20 clients buying from more than one business during the 2018/19 financial period (versus a target of 10), accounting for over £10 million in revenue.
- Strong progress had been made against identified growth catalysts, in particular:
  - on geographical expansion, the Group had started to establish Kin + Carta AmazeRealise as a communications presence in the US to complement the already strong strategy, innovation and transformation capabilities, with additional revenue exceeding the $0.5 million target set at the start of the period; and
  - on deepening sector focus, the Group successfully launched a Healthcare vertical and delivered seven new clients with revenue in the period in excess of £5 million.

Based on these achievements, the Committee agreed to award both J Schwan and Brad Gray (who was employed by the Group for the full financial period) annual bonuses equivalent to 25% of salary in respect of 2018/19. In line with the remuneration policy, these amounts will be paid entirely in cash. Having joined the Group in June 2019, Chris Kutsor was not eligible for an annual bonus in respect of the 2018/19 financial period.

DIRECTORS' REMUNERATION REPORT
CONTINUED

2015 LTIP

As reported last year, 2017/18 Adjusted EPS performance was below threshold against targets set for 2015 LTIP awards and accordingly this element of the award achieved nil vesting. The elements based on relative TSR and the percentage of operating profit from Strategic Marketing elements, both of which were underpinned by Adjusted EPS performance, also achieved nil vesting. Accordingly, the 2015 LTIP lapsed in full in November 2018, with the value of these awards included in the single figure table on page 84 for 2018 being £Nil.

2016 LTIP

Vesting of the 2016 LTIP awards is dependent on performance against three metrics measured over a three-year period: Adjusted EPS; TSR relative to the FTSE AllShare Media sector (excluding FTSE100 companies); and the proportion of Group operating profit from the Strategic Marketing businesses.

As a result of the disposals of the Marketing Activation and Books segments in 2017/18, the Committee considered that the element based on the proportion of Group operating profit from the Strategic Marketing businesses was no longer a relevant measure of performance (as it would be 100% by default) and resolved instead to increase the weighting on the relative TSR from 50% to 75%.

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 2018/19	25%	0% vesting below 18.5p 25% vesting for 18.5p 100% vesting for 20.0p or more Straight-line vesting between these points	9.2p	0%
TSR relative to the All-Share Media sector (excl. FTSE100 companies)	75% (increased from 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	25th percentile	0%
Operating profit from Strategic Marketing as compared to total Group operating profit in 2018/19	n/a (originally 25%)	0% vesting below 55% 25% vesting for 55% 100% vesting for 65% or greater Straight-line vesting between these points	n/a	n/a
Total vesting				0%

* The Committee assessed the impact of restating the EPS target to take into account the disposals in 2017/18. However, the targets were still not met and accordingly this element of the award will lapse in full in November 2019.

Summary of long-term incentives vesting in November 2019 (audited)

The total number of shares which vested in relation to the performance period completed as at the period end, and which are reflected in the single figure table on page 84, is as follows:

	Date of grant	Total number of shares	% shares vesting for performance	Number of awards vesting	Share price on vesting (pence)	Total value on vesting (£)	Transfer of award/ earliest vesting date
Brad Gray	16 Nov 2016	161,529	0%	0	n/a	0	16 Nov 2019

Scheme interests awarded during the 2018/19 financial period (audited)

Long-Term Incentive Plan ('LTIP')

In November 2018, J Schwan 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
J Schwan	11 Nov 2018	410,088	£400,000	100%
Brad Gray	11 Nov 2018	256,305	£250,000	100%

* Face value is based on a share price of 97.5 pence (the market value at the time of grant).

Reflecting an improvement in the Company's share price relative to that used for awards in 2016/17 and 2017/18, LTIP grant sizes for 2018/19 reverted to the previous 100% of salary level. Awards granted vest on absolute TSR, growth in Adjusted revenue and growth in Adjusted PBT, 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 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 2020/21 as compared to 2017/18
Growth in Adjusted PBT	15%	0% vesting below 6% 25% vesting for 6% 100% vesting for 14% or greater Straight-line vesting between these points	Adjusted PBT in 2020/21 as compared to 2017/18
		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.

Deferred Bonus Shares ('DBS')

In November 2018, Brad Gray was granted awards under the DBS in respect of the annual bonus payable to him for 2017/18 in excess of 50% of salary. There are no performance conditions associated with these awards and shares are released after a two-year deferral period.

	Date of grant	Shares over which awards granted	Value of shares awarded (£)*	Release date
Brad Gray	5 Nov 2018	64,174	£60,644	5 Nov 2020

* Face value is based on a share price of 94.5 pence (the market value at the time of grant).

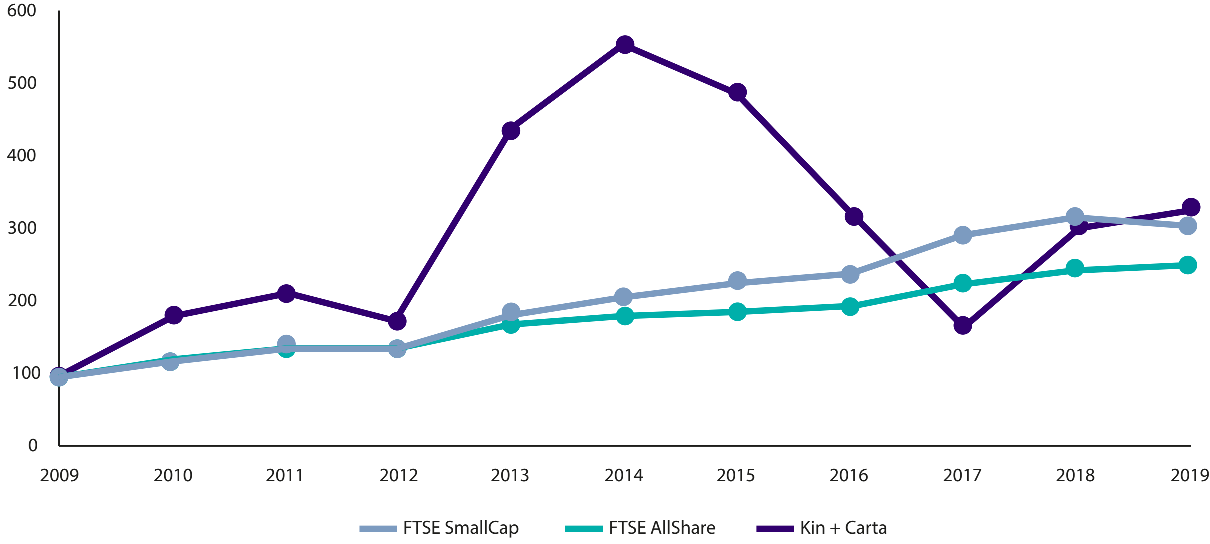
DIRECTORS' REMUNERATION REPORT
CONTINUED

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

	Chief Executive Officer 2019 £'000	Percentage change vs 2018 (note 1)	All employees percentage change vs 2018 (note 2)
Salary	400.0	0%	19.2%
Benefits in kind	22.9	23.1%	1.0%
Annual bonus	100.0	(75.0)%	(54)%

Notes
1. CEO remuneration percentage change compares the remuneration of J Schwan for 2018/19 with that of Matt Armitage for 2017/18.
2. Reflects the change in average pay for Group Head Office employees employed in both 2017/18 and 2018/19. This subset of employees is considered 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 ten years ended 31 July 2019, relative to the performance of the FTSE SmallCap Index and FTSE AllShare Index. Both the FTSE SmallCap and the FTSE AllShare 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 from Refinitiv

The table below details the Chief Executive Officer's single figure of remuneration over the same ten-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	2019 J Schwan
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	582.9
Annual bonus as a percentage of maximum	100.0	100.0	100.0	96.3	100.0	69.7	Nil	Nil	100	25.0
LTIP vesting as a percentage of maximum	Nil	Nil	100.0	93.9	98.5	100.0	Nil	Nil	Nil	N/A

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 rent and rates, with the percentage change in each. In the prior period, cash capital expenditure had been used as a significant payment to assist in understanding the relative importance of spend on pay. Following the disposal of the printing business, cash capital expenditure now primarily consists of office refurbishment costs, which is not considered material. A new category, rent and rates, has been added to aid the comparison of overall expenditure on pay.

	2019 £'000	2018 £'000	Percentage change
Overall expenditure on pay on continuing operations	**105,942**	131,100	(19.2%)
Dividends paid in the period	**2,990**	2,784	7.4%
Rent and rates	**7,718**	5,757	34.1%

Recruitment arrangements for Chris Kutsor (audited)

Chris Kutsor was appointed as Chief Financial Officer on 17 June 2019.

In order to facilitate Chris' recruitment, the Committee agreed a balanced buyout package to compensate him for incentives forfeited on leaving his previous employer, in line with the approved Remuneration Policy. In determining the quantum and structure of these awards, the Committee took into account the time horizons, vesting periods and expected values of the incentives foregone, with the aim of replicating this as closely as possible. Awards made to Chris consisted of:

- a one-off exceptional award of 200% of salary to be granted in November 2019 under the Company's LTIP, with vesting based on three-year relative TSR, growth in Adjusted revenue and growth in Adjusted PBT (targets detailed on page 92). Vested awards will be subject to a two-year mandatory holding period;
- a total of 119,601 restricted stock units ('RSUs') with a face value of US$166,500 (£132,159) granted on 17 June 2019. Awards vest in three equal tranches in March 2020, 2021 and 2022 subject to continued employment with the Group. This award was facilitated using Listing Rule 9.4.2:

Date of grant	Form of award	Number granted	Vesting dates
17 June 2019	RSU	39,867	16 March 2020 (1/3)
		39,867	15 March 2021 (1/3)
		39,867	14 March 2022 (1/3)

- 358,803 share options with an exercise price of £1.105 granted on 17 June 2019. Options vest in March 2022 subject to continued employment with the Group. This award was facilitated using Listing Rule 9.4.2:

Date of grant	Form of award	Number granted	Exercise price (£)	Vesting date
17 June 2019	Share option	358,803	£1.105	14 March 2022

The Committee confirms that the fair value of the buyout package offered to Chris is no higher than his awards foregone.

In respect of his ongoing package, Chris was appointed on a salary of US$325,000 which is broadly in line with his predecessor and which will be next subject to review in August 2020. In line with best practice, his employer pension contribution has been aligned with the majority of employees at 5% of salary. Chris will be eligible to participate in the Group's annual bonus and LTIP from 2019/20 onwards on broadly the same basis as his predecessor, save for the exceptional LTIP grant of 200% of salary in his first year, as detailed above.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Leaver arrangements for Brad Gray (audited)
We announced on 10 May 2019 that our Chief Financial Officer, Brad Gray, would be stepping down from his role and the Board with effect from 17 June 2019, continuing in full-time employment with the Group until 31 July 2019 to facilitate an orderly handover.

Reflecting the circumstances of his departure and taking into account both his service as Chief Financial Officer since August 2014 and his significant role since 1988 in the development of the Company from its legacy print-based origins to its current focus on the digital transformation market, the Committee accorded Brad good leaver status for the purposes of his outstanding incentives.

Details of Brad's leaver arrangements, which are in accordance with the Remuneration Policy approved by shareholders at the 2017 AGM, are as follows:

Fixed pay
- Brad will continue to receive base salary, pension contributions and benefits for the period to 9 May 2020.

Annual bonus
- Having served with the Group for the entire financial period, Brad will receive an annual bonus in respect of 2018/19 amounting to £62,500, payable in cash. Details of performance against targets set for the period is discussed in detail on page 85.
- Brad will not be eligible to participate in the 2019/20 annual bonus.
- Brad retains 64,174 shares granted under the DBS in respect of the 2017/18 annual bonus vesting in November 2020 (as detailed on page 87).

LTIP
- Brad's outstanding LTIP awards have been treated in line with the default good leaver position in the Remuneration Policy.
- Awards have been reduced pro rata to reflect the proportion of the performance period actually served, rounded up to the next complete financial period, as follows:

Date of grant	Prorating percentage	Original awards	Prorated awards
16 Nov 2016	100.0%	161,529	161,529
7 Dec 2017	66.7%	261,528	174,352
11 Nov 2018	33.3%	256,305	85,435

- The performance conditions for each award will be measured at the end of each respective performance period, and any awards deemed to vest will be released at the normal vesting date. Details of the November 2016 LTIP, which was tested for performance at the period end and which will lapse in full in November 2019, are included on page 86.
- Any shares vesting in respect of the 2017 and 2018 awards will be subject to an additional two-year holding period.

Exit payments made in the period (audited)
No exit payments were made in the period.

Payments to past Directors (audited)
Details of leaver arrangements for Matt Armitage, former Chief Executive Office, were included in last year's Annual Report on Remuneration. Matt remained in employment with the Group as a special adviser until 31 July 2019 during which time he received base salary, pension contributions and benefits amounting to £478,600.

In November 2018, Matt was granted awards under the DBS in respect of the annual bonus payable to him for 2017/18 in excess of 50% of salary. There are no further performance conditions associated with these awards and shares will be released after a two-year deferral period.

	Date of grant	Shares over which awards granted	Value of shares awarded (£)*	Release date
Matt Armitage	5 Nov 2018	111,608	105,470	5 Nov 2020

* Face value is based on a share price of 94.5 pence (the market value at the time of grant).

Implementation of Executive Director Remuneration Policy for 2019/20

Basic salary

In respect of the Chief Executive Officer, J Schwan, the Committee determined that his annual salary would remain at £400,000 for 2019/20.

Chris Kutsor was appointed as Chief Financial Officer on an annual salary of US$325,000. He will next be eligible for a salary review in August 2020.

Salary levels are as follows:

	From 1 August 2019	From 4 August 2018 (or appointment)	% increase
J Schwan	Chief Executive Officer	£400,000	0%
Chris Kutsor	Chief Financial Officer	US$325,000	n/a

The average increase across the Company for 2019/20 is 2.9%.

Pension and benefits

No changes in pension contribution rates or benefits provision to the Executive Directors are to be applied during the period.

J Schwan and Chris Kutsor receive pension contributions amounting to 15% and 5% of base salary respectively.

Annual bonus

The annual bonus for the 2019/20 financial year will operate on broadly the same basis as in 2018/19. 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' 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.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Long-term incentives

LTIP awards to be made to Executive Directors in late 2019 will be 100% of salary in respect of J Schwan and 200% of salary in respect of Chris Kutsor. Awards will vest subject to performance over a three-year period with vested shares subject to a two-year holding period.

Reflecting a number of evolutionary changes, the rationale for which is outlined in the letter from the Chair of the Remuneration Committee, vesting of these awards will be based 50% on Relative TSR, 25% on growth in net revenue and 25% 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
TSR Relative to the FTSE AllShare	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	1 August 2019 to 31 July 2022 (three-month averaging)
Growth in net revenue	25%	0% vesting below 6% 25% vesting for 6% 100% vesting for 12% or more Straight-line vesting between these points	Net revenue in 2021/22 as compared to 2018/19
Growth in Adjusted PBT	25%	0% vesting below 4% 25% vesting for 4% 100% vesting for 10% or more Straight-line vesting between these points	Adjusted PBT in 2021/22 as compared to 2018/19

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 growth in Adjusted PBT targets for the 2019/20 LTIP awards are lower than the growth in net revenue targets reflecting the Company's strategy over the next few years of further targeted investment in the Group in order to drive long-term growth.

Implementation of Non-Executive Director remuneration policy for 2019/20

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. The Chairman, Richard Stillwell 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. John Kerr, Non-Executive Chairman Designate with effect from 22 July 2019, receives a fee of £130,000 p.a. John Kerr has elected to forego £10,000 p.a. of his fee, which the Company donates, together with a matching sum from the Company, to registered charities.

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 31 July 2019 were as follows:

	Unvested share options and restricted stock units	Unvested LTIP awards (subject to performance conditions)	Unvested deferred bonus share awards	Beneficial holding 31 July 2019	Beneficial holding 4 August 2018	Expressed as a percentage of annual basic salary (note 1)
Executive (note 2)						
J Schwan	–	915,457	–	7,432,768	7,432,768	1,933%
Chris Kutsor (note 3)	478,404	–	–	–	n/a	0%
Non-Executive						
David Bell	–	–	–	84,486	24,486	–
Mike Butterworth	–	–	–	77,642	26,000	–
John Kerr	–	–	–	–	n/a	–
Michele Maher	–	–	–	–	n/a	–
Nigel Pocklington	–	–	–	10,000	10,000	–
Helen Stevenson	–	–	–	37,166	22,000	–
Richard Stillwell	–	–	–	100,000	90,000	–

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 31 July 2019 (104.0 pence); and the Director's annual rate of basic salary.
2. Brad Gray's holding on 17 June 2019, the date he stepped down as a Director, was 62% of basic salary.
3. Chris Kutsor was granted options over 358,803 ordinary shares in the Company with an exercise price of £1.105 per share. He was granted 119,601 restricted stock units. Details of these grants are disclosed on page 89.

From 31 July 2019 to 1 October 2019, there were no changes to the above stated holdings.

Directors' outstanding share incentive awards (audited)

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

Type of award (Note 1)	Date of award	Market price at date of award/ exercise price for options (p)	Balance at 3 August 2018	Awarded during year	Exercised during year	Lapsed during year (Note 2)	**Balance at 31 July 2019 (Note 3)**	Vesting date	Expiry date
Brad Gray									
LTIP	12 Nov 15	184.70p	155,657	–	–	155,657	**–**	12 Nov 18	12 Nov 25
LTIP	16 Nov 16	128.15p	161,529	–	–	–	**161,529**	16 Nov 19	16 Nov 26
LTIP	7 Dec 17	79.15p	261,528	–	–	87,176	**174,352**	7 Dec 20	7 Dec 27
LTIP	19 Nov 18	97.54p	–	256,305	–	170,870	**85,435**	19 Nov 21	19 Nov 28
DBS	5 Nov 18	94.50p	–	64,174	–	–	**64,174**	5 Nov 20	–
			578,714	320,479	–	413,703	**485,490**		
J Schwan									
LTIP	7 Dec 17	79.15p	505,369	–	–	–	**505,369**	7 Dec 20	7 Dec 27
LTIP	19 Nov 18	97.54p	–	410,088	–	–	**410,088**	19 Nov 21	19 Nov 28
			505,369	410,088	–	–	**915,457**		
Chris Kutsor									
RSU	17 June 19	110.50p	–	39,867	–	–	**39,867**	16 Mar 20	–
RSU	17 June 19	110.50p	–	39,867	–	–	**39,867**	15 Mar 21	–
RSU	17 June 19	110.50p	–	39,867	–	–	**39,867**	14 Mar 22	–
OPT	17 June 19	110.50p	–	358,803	–	–	**358,803**	14 Mar 22	17 June 29
			–	478,404	–	–	**478,404**		

Notes
1. LTIP = Long Term Incentive Plan, DBS = Deferred Bonus Scheme, RSU = Restricted Share Unit (Chris Kutsor buyout awards only), OPT = Share Options (Chris Kutsor buyout awards only).
2. Brad Gray's outstanding LTIP awards were prorated to reflect the proportion of the performance period served, rounded up to the next complete financial period; the remainder lapsed with effect from 9 May 2019. See page 90 for further details.
3. Details of the November 2016 LTIP, which was tested for performance at the period end and will lapse in full in November 2019, is included on page 86.

DIRECTORS' REMUNERATION REPORT
CONTINUED

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

16 November 2016 award	TSR relative to constituents of the FTSE AllShare Media Index (excl. FTSE100 companies)	Absolute Adjusted basic EPS	Operating profit from Strategic Marketing as compared to total Group operating profit
Performance measurement period	29 July 2016 to 2 August 2019	EPS for 2018/19 financial period	2018/19 financial period
Weighting % of award	75% (increased from 50%, see page 86)	25%	0% (reduced from 25%, see page 86)
100% vesting	Upper quartile or above	20.0p or more	85% or more
Between 25% and 100% vesting	Between median and upper quartile	From 18.5p to 20.0p	Between 75% and 85%
Underpin	Committee discretion	Committee discretion	Committee discretion

7 December 2017 award	Absolute TSR (share price plus rolled up dividends)		Growth in Adjusted operating profit from Strategic Marketing
Performance measurement period	3-month average to 31 July 2020		2019/20 as compared to 2016/17
Weighting % of award	70%		30%
100% vesting	170p or above		14% or more
Between 25% and 100% vesting	Between 110p and 170p		Between 6% and 14%
Underpin	Committee discretion		Committee discretion

11 November 2018 award	Absolute TSR (share price plus rolled up dividends)	Growth in Adjusted revenue	Growth in Adjusted PBT
Performance measurement period	3-month average to 31 July 2021	2020/21 as compared to 2017/18	2020/21 as compared to 2017/18
Weighting % of award	70%	15%	15%
100% vesting	175p or above	11% or more	14% or more
Between 25% and 100% vesting	Between 125p and 175p	Between 6% and 11%	Between 6% and 14%
Underpin	Committee discretion	Committee discretion	Committee discretion

Note: In the event of any material acquisition or divestment the Committee would adjust the targets 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 31 July 2019 was 104.0 pence and the range during the financial period 2018/19 was 83.8 pence to 111.5 pence.

Share options – Sharesave Scheme (audited)

There are no outstanding Sharesave options in respect of Directors.

Dilution

Under the ESOS 2001, LTIP 2010 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 31 July 2019, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 10,037,110 shares (6.5% 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

Nigel Pocklington

CHAIR OF THE REMUNERATION COMMITTEE
1 OCTOBER 2019

DIRECTORS' REPORT

The Directors present their Directors' Report and the audited consolidated financial statements for the period ended 31 July 2019. The Corporate Governance Report set out on pages 58 to 63 also forms part of this report.

There have been no significant events since the balance sheet date. 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 29 to the financial statements.

STRATEGIC REPORT

The Strategic Report can be found on pages 8 to 55. The Strategic Report includes the business model, key performance indicators, the principal risks affecting the Connective and disclosures regarding greenhouse gas emissions.

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, and those who have served on the Board during the financial year, is set out on pages 64 and 65.

The Directors' interests in ordinary shares of the Company are set out in the table on page 93 within the Directors' Remuneration Report.

RESULTS AND DIVIDENDS

The Group's statutory profit before taxation for the period amounted to £1.8 million (2018: statutory loss of £31.2 million). The Directors propose a final dividend of 1.30 pence for each ordinary share payable on 17 December 2019 to holders on the register as at 22 November 2019. If approved, the final dividend will make total dividends for the year of 1.95 pence per ordinary share.

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 Our Positive Impact report on pages 42 to 49.

ENVIRONMENT

Information relating to the environment and greenhouse gas emissions is set out in the Our Positive Impact report on pages 42 to 49.

HUMAN RIGHTS

Information relating to human rights is set out in the Our Positive Impact report on pages 42 to 49.

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 30 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 8 to 55.

During the period, 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.

DIRECTORS' REPORT
CONTINUED

As referenced in note 23 to the financial statements, during the period the Group met its day-to-day working capital requirements through overdraft facilities which were part of overall funding facilities.

At the beginning of the period, the Group had an overdraft facility of £15 million as part of the previous revolving credit facility. This was superseded in the period when the Group entered into the current revolving credit facility of £85 million. A new overdraft facility of £7.5 million was negotiated as part of the current 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 bank facility.

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 position 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 to provide management and the Board sufficient visibility of the future. As a result of the new revolving credit facility agreement entered into during the period, which expires in November 2022, the Company has access to a committed credit facility throughout the three-year forecast period.

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 2018/19 financial period. 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 50 to 55, 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 net revenue, relative to the central scenario, across all the businesses due to challenging or uncertain economic conditions, including those arising because of Brexit. In addition to the stress scenario outlined above, other scenarios were also modelled, including the loss of a significant client, an increase of five days in the average time taken by customers to settle trading balances due to the Company, and a weakening of the Pound Sterling against US Dollar to 1:1.35.

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 2022.

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

SHARE CAPITAL

As at 31 July 2019, the Company had 153,426,476 ordinary shares in issue with a nominal value of 10p each, representing 100% of the total issued share capital. The Company holds 90,637 of its ordinary shares in Treasury. Therefore, the total number of voting rights in the Company is 153,335,839.

At the 2018 AGM, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 15,333,583 shares. This authority expires at the conclusion of the forthcoming AGM and approval will be sought from shareholders for a similar authority to be given for a further year. The Company did not purchase any of its own shares during the year (2018: nil).

Between 1 August 2019 and 1 October 2019, no ordinary shares were allotted or purchased by the Company, nor has the Company reissued shares held in Treasury.

MAJOR INTERESTS IN SHARES

The Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the holdings of voting rights in its shares set out in the table below. See also the Directors' shareholdings on page 93.

	As at 31 July 2019	
	Number of voting rights	Percentage of issued share capital carrying voting rights*
FIL Limited	7,432,590	4.84%
Merian Global Investors (UK) Limited	9,432,576	6.15%
Standard Life Aberdeen plc	6,975,742	4.55%

* Percentage based on ordinary shares in issue, excluding treasury shares, as at 31 July 2019.

Between 1 August 2019 and 1 October 2019, the Company did not receive any notification of interests pursuant to chapter 5 of the Disclosure Guidance and Transparency Rules.

AUDITOR

Each of the Directors of the Company as at 1 October 2019 has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is 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 (2018: £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 31 July 2019 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 have a potential conflict, and they may be requested to leave a meeting at which a matter in which they may be conflicted is to be discussed.

CHANGE OF CONTROL

During the period, the Group entered into a new revolving credit facility of £85 million which falls due for renewal on 30 November 2022. 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 31 to the financial statements. The shares carry no rights to fixed income. All members who hold ordinary shares are entitled to attend and vote at the AGM. 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. 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 36. Shares held by the Employee Benefit Trust abstain from voting.

The appointment and replacement of Directors of the Company is governed by the Company's 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-eighth AGM of the Company will be held on Thursday, 5 December 2019. 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 Guidance and Transparency Rules (DTR 7.2) comprises the Additional Information section of the Directors' Report above and the Corporate Governance Report on pages 58 to 63 of this Annual Report.

FCA LISTING RULES – COMPLIANCE WITH LISTING RULE 9.8.4R

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 9.4.3R.	Directors' Remuneration Report on pages 75 to 94
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 undertakings where a Director has agreed to waive future emoluments, details of such waiver together with those relative 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. The information required under the paragraph (LR 9.8.4 paragraph 7) must be given for any unlimited major subsidiary undertaking of the Company.	No such share allotments

By order of the Board

Daniel Fattal

COMPANY SECRETARY
1 OCTOBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial 362-day period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of 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' CONFIRMATIONS

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 1 October 2019 and is signed on its behalf by

J Schwan

CHIEF EXECUTIVE OFFICER
1 OCTOBER 2019

Chris Kutsor

CHIEF FINANCIAL OFFICER
1 OCTOBER 2019

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STRENGTH +
TRANSPARENCY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIN AND CARTA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Kin and Carta plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 July 2019 and of the Group's profit and cash flows for the 362-day period (the 'period') 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 Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); 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, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Consolidated and Company Balance Sheets as at 31 July 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated and Company Statements of Changes in Equity for the 362-day period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

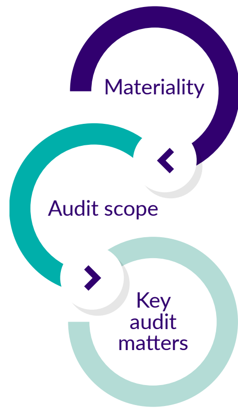
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group or the Company in the period from 4 August 2018 to 31 July 2019.

Our audit approach

Overview



- Overall Group materiality: £889,000 (2018: £915,000), based on 5% of Adjusted profit before tax.
- Overall Company materiality: £845,000 (2018: £870,000), based on 1% of net assets, capped at 95% of the Group overall materiality.

- The Kin and Carta plc Group consists of entities in the UK and USA, in addition to smaller operations in Asia.
- We performed a full scope audit over the significant trading entities of the Group, which include: Amaze Limited, Realise Limited, Incite Marketing Planning Limited, The App Business Limited and Edit Agency Limited (the 'UK trading companies') and Solstice Consulting LLC in Chicago together with the parent company Kin and Carta plc.
- Our audit scoping gave us coverage of 77% of adjusted profit before tax, with 82% coverage of revenue.

- Carrying value of goodwill and other intangible assets (Group).
- Valuation of retirement benefit obligations (Group and Company).
- Revenue recognition (Group).
- Classification of Adjusting Items (Group).
- Carrying value of investments and recoverability of intercompany loans and intercompany debtors (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to GDPR, changes to sentencing tariffs and calculations and the regular updates to legislation around competition, bribery, modern slavery, money laundering and consumer protection. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and, the Listing Rules and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve results, and management bias in accounting estimates. Management are incentivised on Adjusted profit-based measures. Audit procedures performed by the Group engagement team on both the Group and component financial information included:

- reviewing the financial statements disclosures and agreeing to underlying supporting documentation;
- enquiries of management and the in-house legal team; and
- testing journal entries and evaluating whether there was evidence of management bias over accounting estimates that represented a risk of material misstatement due to fraud.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIN AND CARTA PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and other intangible assets Group Refer to pages 119 to 129 (Significant Accounting Policies) and page 141 (Notes to the Financial Statements – note 17). The Group operates in competitive markets, where customers' expenditure on marketing, communications and innovation is subject to budgetary constraints and market pressures. As such the business is subject to the risk of loss of key customers, or decline in demand. Therefore there is a risk of impairment of the goodwill and intangible assets recognised in the Consolidated Balance Sheet. At the year end, the Group had goodwill of £85.7 million and other intangible assets of £25.6 million. Management considers each legal entity to be a cash-generating unit and has performed an impairment assessment using discounted cash flows to ensure that the carrying value of the consolidated goodwill and other intangibles is supported by the recoverable amounts derived from expected future cash flows. We focused on this area as the determination of whether an impairment charge was necessary involved significant estimates about the future results of each entity.	We considered the carrying value of the Group's intangible assets compared to its market capitalisation which gives an indication of the overall value of the Group. The market capitalisation at year end was in excess of the carrying value of assets. We evaluated the reasonableness of management's future cash flow forecasts and tested the mathematical accuracy of the underlying calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared past results to those budgeted to assess the quality of management's forecasting. Based on this evaluation, we considered management's ability to forecast was appropriate to support the basis upon which the future cash flows have been prepared. The key assumptions in the calculations were growth in revenue and EBITDA. In assessing these assumptions we considered external market growth forecasts. We considered the forecasts had been prepared on a supportable basis. We also tested: • management's assumption in respect of the long-term growth rates in the forecasts by comparing them to long-term average growth rates of the UK and US economy; and • the discount rates applied, by assessing the cost of capital for the Company and comparable organisations, and obtaining advice from valuations specialists. We were satisfied the assumptions used in the assessment of impairment of goodwill and other intangibles were appropriate. We also performed sensitivity analysis in respect of key assumptions to determine at what level changes in these would eliminate headroom in the impairment test. There were no changes in key assumptions that were considered reasonably possible which would eliminate headroom. As a result of the challenges faced by Hive previously, and the ongoing uncertainty in the market in which it operates, management IS continuing to disclose that there is a reasonably possible risk of goodwill impairment in Hive resulting from the loss of a major customer. While we consider this risk to have reduced in the current year, given the history of the division and its reliance on a small number of key customers, we consider management's approach to the disclosure to be appropriate. In addition, management has continued to disclose that the long-term impact of GDPR continues to be uncertain and has potential to negatively impact Edit.

Key audit matter	How our audit addressed the key audit matter
Valuation of retirement benefit obligations Group and Company Refer to pages 119 to 129 (Significant Accounting Policies) and page 148 (Notes to the Financial Statements – note 28). Gross pension assets as at 31 July 2019 are £386.9 million (3 August 2018: £353.4 million) and gross pension liabilities are £379.2 million (3 August 2018: £351.6 million) resulting in a net surplus of £6.7 million (3 August 2018: £1.9 million). The Group's actuary, XPS Pensions Group, has performed a valuation of the pension scheme assets and liabilities as at 31 July 2019 in accordance with IAS 19. This includes consideration of the estimated potential impact of Guaranteed Minimum Pensions ('GMP') equalisation rules. We focused on this area as the valuation of retirement benefit obligations involved significant judgements and assumptions.	Given the complexity involved in the valuation of retirement benefit obligations and the size of the assets and liabilities, we engaged experts to assist us in the audit of this matter. We reviewed the assumptions and methodologies used by the Group's actuary, XPS Pensions Group, to value the pensions scheme liabilities as at 31 July 2019 in accordance with IAS 19 to ensure these were appropriate given the composition of the scheme. It was concluded that overall the assumptions for the valuation of the liabilities are within our indicative ranges for the duration of the scheme, although towards the more optimistic end of those ranges.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIN AND CARTA PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Revenue from contracts with customers Group Refer to pages 119 to 129 (Significant Accounting Policies) and page 130 (Notes to the Financial Statements – note 3). Revenue is recognised in accordance with the stage of completion of the contract activity. The stage of completion is determined relative to the total number of hours expected to complete the work or provision of services, or to the project milestones achieved as at year end to the contracted project milestones. Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as a contract asset and where recorded revenue is less than amounts invoiced to clients, the difference is classified as a contract liability. Careful consideration needs to be given to projects open at year end requiring significant judgement in respect of the stage of completion and the associated revenue and profit margin to be recognised. The total amount of revenue and margin to be recognised under a contract can be affected by changes in conditions and circumstances over time, such as: • variations to the original contract terms; • cost overruns; and • scope changes that require further negotiation and settlement. Variations can arise from changing client specifications, changes to the job based on unforeseen circumstances, as well as from inefficiencies on the part of either party. There is therefore judgement to be applied in determining the amounts to be recovered from any additional work performed. There is therefore a risk that contract revenue is not recognised in the correct period or that revenue and associated profit margin is misstated.	We understood management's policies and their controls for recording revenue through performance of detailed end-to-end walkthroughs of the finance and operational processes. We performed substantive testing of revenue contracts across the full scope components as follows: • Reviewed a sample of the terms and conditions attached to revenue contracts to understand the existence of the enforceable right to be paid for work and evaluated management's judgements used to determine the timing of recognition of revenue. • Targeted a number of contracts to audit, including those with significant revenue recognised in the year or with significant contract assets or contract liabilities at the year end, and a further sample on a haphazard basis. • For contracts where revenue is recognised based on time spent by staff: On a sample of contracts we tested the hours completed, obtained an understanding from project managers as to the budgeted hours, challenged the assumptions, evaluated the outturn of previous estimates and agreed the actual hours incurred post year end to the forecast for the period. • For contracts where revenue is recognised based on project milestones: On a sample of contracts we tested that milestones had been delivered to the clients by obtaining evidence of delivery from project managers, obtaining an understanding of the status of milestones in progress, challenging the assumptions and evaluating the outturn of previous estimates. We also assessed how the project managers determined that the stage of completion was correctly calculated by obtaining their calculations and agreeing the inputs to supporting evidence and correspondence with customers. We found that revenue was recorded appropriately. To assess whether revenue and profit is accurately recorded and to test the timing of recognition of revenue, we challenged management's judgements on the completeness of work for a sample of contracts by checking original contracts, amendments to contracts, where applicable (e.g. due to agreed changes in scope), and checking that the contractual milestones had been reached. No significant issues were noted from our work.

Key audit matter	How our audit addressed the key audit matter
Classification of Adjusting Items Group Refer to pages 119 to 129 (Significant Accounting Policies) and page 133 (Notes to the Financial Statements – note 7). The Group has total Adjusting Items before interest and tax of £15.8 million (2018: £49.6 million). These principally relate to £2.6 million for restructuring programmes across the Group to align the capabilities and resources with the Connective operating model; £5.7 million pension scheme administration costs and past service costs in respect of GMP equalisation; £2.4 million contingent consideration payable by the Group in respect of the FY16 acquisition of The App Business Limited; and £6.7 million amortisation of acquired intangibles from previous acquisitions. This is partially offset by a profit on disposal of £1.8 million. We focused on this area as the classification and disclosure of items as "Adjusting Items" involved judgement on whether they are exceptional and non-recurring items and treatment should be consistent between periods.	We have reviewed the amounts identified as Adjusting Items in the financial statements to ensure these are appropriate to be classified as Adjusting Items in accordance with The European Securities Markets Authority ('ESMA') guidance in 2016 on disclosure of Adjusting Performance Measures, and where appropriate, consistent with the prior year. We have agreed the amounts recognised to underlying support and reviewed the disclosure presented in note 7 and our work did not identify any significant matters in relation to management's classification.
Carrying value of investments and recoverability of intercompany loans and intercompany debtors Company Refer to pages 119 to 129 (Significant Accounting Policies) and page 168 (Notes to the Company Financial Statements – note 9) As at 31 July 2019, the Company has investments in the Group of £76.4 million (3 August 2018: £78.8 million), loans to subsidiaries of £135.0 million (3 August 2018: £149.0 million) and intercompany debtors of £3.4 million (3 August 2018: £5.4 million). The carrying value of the Company's investments in subsidiaries and intercompany receivables represents 93% of the Company's total assets. We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of significant misstatement or to be subject to a high level of judgement. However, due to their materiality in the context of the Company financial statements as a whole these are considered to be the areas on which increased audit effort is required.	We assessed the investment values and intercompany receivables against the net assets of the investments to identify whether the carrying values are supportable by the asset position of the subsidiary. Where the carrying amount exceeded the net asset value of the subsidiary, our procedures were focused on management's value-in-use calculations including evaluation of key assumptions used and the mathematical accuracy of the calculations. The work we performed did not highlight any issues regarding the recoverability of the carrying value of investments, intercompany loans or intercompany debtors at the balance sheet date.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIN AND CARTA PLC CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Kin and Carta plc Group consists of a number of UK trading and holding entities, Solstice Consulting LLC in Chicago, as well as a number of smaller overseas entities.

We performed a full scope audit over the significant UK trading companies and Solstice Consulting LLC, in addition to specific procedures over balances within the other statutory entities based on their overall size and values of their specific financial statement line items.

Our audit scoping gave us coverage of 77% of Adjusted profit before tax, and 82% coverage of revenue.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£889,000 (2018: £915,000).	£845,000 (2018: £870,000).
How we determined it	5% of Adjusted Group profit before tax.	Company materiality equates to 1% of net assets, capped at 95% of Group overall materiality.
Rationale for benchmark applied	Adjusted profit before tax is a primary measure used by management and shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. This measure provides us with a consistent year-on-year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items.	Net assets is an appropriate benchmark for determining the materiality of the Company, which is a holding Company and non-trading.

For each component in the scope of our Group audit (the UK trading companies, the Company and Solstice Consulting LLC), we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £473,000 and £845,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £44,450 (Group audit) (2018: £45,000) and £42,250 (Company audit) (2018: £45,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the Going Concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a Going Concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 ('CA06'), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ('FCA') require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIN AND CARTA PLC CONTINUED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 July 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 50 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 96 of the Annual Report 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 have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements, checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 99, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 66 to 69 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 99, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members at the AGM on 29 November 2018 to audit the financial statements for the year ended 31 July 2019 and subsequent financial periods following a competitive tender process. This is therefore our first year of uninterrupted engagement.

Julian Jenkins (Senior Statutory Auditor)

FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON
1 OCTOBER 2019

CONSOLIDATED INCOME STATEMENT

	Note	362 days to 31 July 2019 Adjusted Results £'000	362 days to 31 July 2019 Adjusting Items** £'000	362 days to 31 July 2019 Statutory Results £'000	371 days to 3 August 2018 (Restated*) Adjusted Results £'000	371 days to 3 August 2018 (Restated*) Adjusting Items £'000	371 days to 3 August 2018 (Restated*) Statutory Results £'000
Continuing operations:							
Revenue	3	**172,111**	**763**	**172,874**	178,292	63	178,355
Project-related costs		**(24,090)**	**(525)**	**(24,615)**	(28,614)	–	(28,614)
Net revenue		**148,021**	**238**	**148,259**	149,678	63	149,741
Cost of service		**(74,805)**	**(303)**	**(75,108)**	(74,075)	(247)	(74,322)
Gross profit		**73,216**	**(65)**	**73,151**	75,603	(184)	75,419
Selling costs		**(14,732)**	**(34)**	**(14,766)**	(13,170)	–	(13,170)
Administrative expenses		**(38,763)**	**(17,292)**	**(56,055)**	(41,817)	(50,676)	(92,493)
Share of results of joint arrangement		**169**	**–**	**169**	569	–	569
Other operating (expense)/income		**(5)**	**1,771**	**1,766**	(20)	1,542	1,522
Operating profit/(loss)		**19,885**	**(15,620)**	**4,265**	21,165	(49,318)	(28,153)
Net pension finance income/(expense)		**–**	**30**	**30**	–	(324)	(324)
Other finance expense		**(2,329)**	**(189)**	**(2,518)**	(2,694)	–	(2,694)
Profit/(loss) before tax	4	**17,556**	**(15,779)**	**1,777**	18,471	(49,642)	(31,171)
Income tax (charge)/credit		**(3,428)**	**2,772**	**(656)**	(3,659)	2,436	(1,223)
Net profit/(loss) for the period from continuing operations		**14,128**	**(13,007)**	**1,121**	14,812	(47,206)	(32,394)
Net profit from discontinued operations	8	**–**	**–**	**–**	3,511	(326)	3,185
Net profit/(loss) for the period		**14,128**	**(13,007)**	**1,121**	18,323	(47,532)	(29,209)
Attributable to:							
Shareholders of the parent Company		**14,128**	**(13,007)**	**1,121**	18,323	(47,532)	(29,209)
Basic earnings/(loss) per share (p)							
From continuing operations	14	**9.22**	**(8.49)**	**0.73**	10.10	(32.19)	(22.09)
From continuing and discontinued operations	14	**9.22**	**(8.49)**	**0.73**	12.49	(32.41)	(19.92)
Diluted earnings/(loss) per share (p)							
From continuing operations	14	**9.17**	**(8.44)**	**0.73**	10.10	(32.19)	(22.09)
From continuing and discontinued operations	14	**9.17**	**(8.44)**	**0.73**	12.49	(32.41)	(19.92)

* The results for the 371 days to 3 August 2018 have been restated for certain types of cost reclassifications (note 39) and to present net revenue (note 40).

** The Adjusting Items are detailed within note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Profit/(loss) for the period	**1,121**	(29,209)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial profit on defined benefits pension scheme	**6,206**	10,958
Tax charge on items taken through other comprehensive income	**(991)**	(1,731)
	5,215	9,227
Items that may be reclassified subsequently to profit or loss:		
Transfers of (losses)/gains on cash flow hedges	**(265)**	76
(Losses)/gains on cash flow hedges	**(201)**	265
Foreign exchange gains/(losses)	**2,068**	(852)
	1,602	(511)
Other comprehensive income for the period	**6,817**	8,716
Total comprehensive income/(expense) for the period attributable to shareholders of the parent Company	**7,938**	(20,493)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Additional paid-in capital** £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earning/ (accumulated deficit) £'000	Total £'000
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
Total 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**
Profit for the period	–	–	–	–	–	–	–	1,121	1,121
Other comprehensive income	–	–	–	–	–	1,602	1,602	5,215	6,817
Total comprehensive income	–	–	–	–	–	1,602	1,602	6,336	7,938
Dividends	–	–	–	–	–	–	–	(2,990)	(2,990)
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	1,669	–	1,669	–	1,669
Transfer of share-based contingent consideration deemed as remuneration	–	128	–	–	(7,440)	–	(7,312)	7,909	597
Purchase of own shares	–	–	(185)	–	–	–	(185)	–	(185)
Recognition of share-based payments	–	–	–	–	(650)	–	(650)	–	(650)
Settlement of share-based payment	–	–	164	–	–	–	164	8	172
Tax on share-based payments	–	–	–	–	75	–	75	–	75
Balance at 31 July 2019	**15,343**	**70,665**	**(21)**	**(163)**	**804**	**2,285**	**73,570**	**(924)**	**87,989**

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

CONSOLIDATED BALANCE SHEET

COMPANY NUMBER 01552113

	Note	31 July 2019 £'000	3 August 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	**5,499**	6,301
Investment property	16	**4,957**	4,470
Goodwill	17	**85,662**	84,742
Other intangible assets	17	**25,573**	31,493
Other long-term financial asset	18	**–**	3
Investment in joint arrangement	19	**547**	223
Deferred tax assets	27	**2,528**	1,264
Retirement benefits surplus	28	**6,665**	1,858
Other non-current assets	20	**18**	13
		131,449	130,367
Current assets			
Trade and other receivables	20	**40,911**	40,451
Derivative financial instruments	21	**–**	291
Income tax receivable		**136**	904
Assets held for sale		**–**	5,282
Cash and cash equivalents	20	**22,017**	14,398
		63,064	61,326
Total assets		**194,513**	191,693
Liabilities			
Current liabilities			
Loans	23	**–**	40,363
Trade and other payables	22	**27,479**	35,851
Derivative financial instruments	21	**158**	62
Income tax payable		**1,946**	61
Deferred consideration payable	12	**2,000**	21,170
Deferred income	24	**5,195**	4,915
Provisions	25	**1,383**	919
		38,161	103,341
Non-current liabilities			
Loans	23	**60,416**	–
Other non-current liabilities	26	**2,228**	822
Provisions	25	**1,874**	1,849
Deferred tax liabilities	27	**3,845**	4,318
		68,363	6,989
Total liabilities		**106,524**	110,330
Net assets		**87,989**	81,363
Capital and reserves			
Share capital		**15,343**	15,343
Other reserves		**73,570**	78,207
Accumulated deficit		**(924)**	(12,187)
Total equity		**87,989**	81,363

These financial statements were approved by the Board of Directors on 1 October 2019 and signed on its behalf by

J Schwan
CHIEF EXECUTIVE OFFICER

Chris Kutsor
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
Operating activities			
Cash generated from operations	34	8,989	25,848
Interest paid		(2,329)	(2,694)
Income taxes paid		(306)	(5,430)
Net cash generated from operating activities		6,354	17,724
Investing activities			
Purchase of property, plant and equipment		(2,756)	(4,425)
Purchase of other intangibles		(279)	(149)
Proceeds on disposal of property, plant and equipment		7,230	3,166
Proceeds on disposal of subsidiaries		–	32,442
Deferred consideration paid for acquisitions made in prior periods	12	(19,875)	(16,518)
Net cash (used)/generated from investing activities		(15,680)	14,516
Financing activities			
Purchase of own shares		(185)	–
Dividends paid	13	(2,990)	(2,784)
Additional investment in joint arrangement		(118)	–
Increase/(decrease) in bank loans		19,083	(40,000)
Net cash generated/(used) in financing activities		15,790	(42,784)
Net increase/(decrease) in cash and cash equivalents		6,464	(10,544)
Cash and cash equivalents at beginning of the period		14,398	25,651
Effect of foreign exchange rate changes		1,155	(709)
Cash and cash equivalents at end of the period	20	22,017	14,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kin and Carta plc is a public limited company incorporated in the United Kingdom ('UK') and registered 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 Statement on pages 13 to 17.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations adopted by the European Union, Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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 consolidated financial statements have been prepared on a historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities as described in the accounting policies below. The accounting policies have been applied consistently throughout the Group.

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

IFRS 15	Revenue from Contracts with Customers; this standard is mandatory for accounting periods beginning on or after 1 January 2018.
IFRS 9	Financial Instruments; 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 4 Financial Instruments; this amendment is mandatory for accounting periods beginning on or after 1 January 2018.
IAS 40 (amendments)	Investment Property; 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.

In addition "Annual Improvements 2014–2016 Cycle" includes amendments to a number of Standards and Interpretations including IFRS 1 and IAS 28 which have been adopted in the current period.

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 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. Further details on the expected impact of implementation of the IFRS 16 Leases standard are disclosed below.
IFRS 9 (amendments)	Financial Instruments; this standard is mandatory for accounting periods beginning on or after 1 January 2019.
IAS 19 (amendments)	Employee Benefits; this standard is mandatory for accounting periods beginning on or after 1 January 2019.
IAS 28 (amendments)	Investments in Associates and Joint Ventures; this amendment is mandatory for accounting periods beginning on or after 1 January 2019.
IFRIC 23	Uncertainty over Income Tax Treatments; this amendment is mandatory for accounting periods beginning on or after 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. GENERAL INFORMATION continued

In addition "Annual Improvements 2015–2017 Cycle" includes amendments to a number of Standards and Interpretations including IFRS 2, IFRS 11, IAS 12 and IAS 28. The effective date of the IFRS 2, IFRS 11, IAS 12 and IAS 28 amendments is for accounting periods beginning on or after 1 January 2019.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except the expected impact of implementation of IFRS 16 which is detailed below.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments ('IFRS 9') for the financial period beginning on 4 August 2018.

Under the standard, trade receivables and cash will continue to be accounted for at amortised cost. IFRS 9 introduces an expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets. Given the historic rate of revenue loss and ageing of the trade receivables, the expected loss model does not have a material impact on the Group's opening retained earnings on application as at 4 August 2018 and the current period. Therefore, in line with the transition guidelines in IFRS 9, the Group has not restated its financial statements for the prior period.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ('IFRS 15') was adopted by the Group for the financial period beginning on 4 August 2018. In accordance with the transition provisions, the new rules have been adopted using the simplified retrospective transition method.

The Group assessed whether the adoption of IFRS 15 had any impact on the timing of revenue recognition. Under IAS 18 the Group recognised revenue based on stage of completion whereas IFRS 15 established a five-step model where the recognition should be when contractual performance obligations are satisfied by transferring control of the goods or services to the customer. Following assessment of the contracts held by the Group, it was determined that the impact of aligning the Group's revenue recognition with performance obligations to the customer did not have a material impact on the revenue in the prior periods. Therefore, no restatement has been made and a reconciliation of retained earnings is not required.

IFRS 16 Leases

IFRS 16 requires the recognition of all lease assets and liabilities by lessees on the balance sheet and is effective for the Group's year ending 31 July 2020. 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.

The Group has adopted IFRS 16 on 1 August 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 was recognised as an adjustment to equity at the date of initial application. Comparative information is not restated. The Group has adopted the transition exemptions for leases with a remaining term of 12 months or less and for low-value assets. This has been applied on a lease-by-lease basis.

The Group has assessed the impact on the majority of leases, including all material leases. On assessing the impact on the Group's consolidated financial statements there will be a reduction in profit of approximately £0.1 million for the year ending 31 July 2020 when comparing to the current accounting for operating leases. The assessment indicates that the Group will recognise a right-of-use asset of £20.9 million and a corresponding lease liability of £24.2 million. The profile of the Group's principal leases is shown in note 35.

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, a minimum of 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. During the period 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 95 to 98.

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.

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 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.

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.

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 under the Adjusted Performance Measures section on pages 36 to 41.

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 aggregate 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 (further details surrounding empty property costs can be found below). 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 the 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 Pension Benefits 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 31 July 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES continued

- **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 Group and segment difficult.

  Therefore the following items are recorded as Adjusting Items to provide a more realistic and comparable view of the Group and enhance the clarity of the performance of the Group 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.
  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.

(c) Revenue recognition

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 is recognised once contractual performance obligations have been delivered, in accordance with the terms of the contractual agreement. Contracts can have a single or series of different deliverables and over time, revenue is recognised as each contractual obligation is satisfied.

For services performed, on a time basis, i.e. where the terms of the contract have provision for licensing the product on a subscription basis, revenue is recognised evenly over the period of contractual term as the performance obligations are satisfied evenly over the term of subscription. Generally the performance obligations are satisfied over time as service is rendered.

For services that are linked to delivering of goods to fulfil the contract, revenue is recognised when the goods are delivered, in line with meeting the contractual and performance obligations. The goods can be delivered in full or in part-quantities.

For performance obligations that are satisfied over time, the Group uses either input or output methods, to measure progress for each performance obligation, depending on the particular arrangement. In the majority of cases, relevant output measures such as the completion of project milestones set out in the contract are used to assess proportional performance. Where this is not the case then an input method based on costs incurred to date is used to measure performance. The primary input of substantially all work performed is represented by staff costs. As a result of the relationship between labour and cost there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

Typically, customers are not entitled to refunds across the Group. The above methods are deemed to be appropriate in identifying the point of transfer of goods and services for revenue recognition.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Payment terms for supplier payments across the Group vary, with the majority of terms being 60 to 90 days. In some exceptional circumstances the Group amends payment terms to between zero and 30 days. The Group generally is paid by customers in arrears for its services, however some work is invoiced in advance.

Net revenue:
Net revenue is calculated as revenue less project-related costs as shown in the Consolidated Income Statement. Project-related costs comprise primarily third party pass-through expenses and direct costs attributable to a project. These costs typically include amounts payable to external suppliers where they are engaged, at the Group's discretion, to perform a specific part of the performance obligation under a contract with the client, other than the costs of certain freelance contractors and agency staff. Cost of service includes the costs of directly employed staff, freelance contractors and agency staff who are engaged in the delivery of performance obligations under client contracts.

Accrued and deferred income:
Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income on the Consolidated Balance Sheet. These balances are considered contract liabilities and are typically related to prepayments for third party expenses that are incurred shortly after billing.

(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 at between 2% and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES continued

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%–33.3%
Fixtures, fittings and equipment	10%–33.3%

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 scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

(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.

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) 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 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.

(j) 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 constructive or legal 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 item where it was initially booked.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 and onerous leases

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, or onerous contracts related to closed/discontinued operations.

(k) Foreign currencies

The individual financial 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 (thereby 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.

(l) 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 financial instruments in the following categories:

Financial instrument category	Note	Measurement	Fair value measurement hierarchy*
Other long-term financial asset	18	Fair value through other comprehensive income	3
Trade and other receivables	20	Amortised cost	3
Cash and cash equivalents	20	Amortised cost	N/A
Trade and other payables	22	Amortised cost	3
Derivative financial instruments	21	Fair value through profit and loss	2
Deferred consideration payable	12	Fair value through profit and loss	3
Bank borrowings	23	Amortised cost	N/A

* The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES continued

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.
- 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
All trade receivables held by the Group are financial assets held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows. Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment.

The Group recognises a loss allowance for expected credit losses ('ECL') on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group recognises expected credit losses for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

Other long-term financial assets
Unlisted shares held by the Group are classified as being other long-term financial assets and are stated at fair value. Fair values of unlisted shares are calculated with reference to exit price. All other long-term financial assets 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.

The Group does hold investments in equity instruments and has made the irrecoverable designation to measure these at fair value through other comprehensive income ('FVTOCI') as they are not held for trading.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 in respect of acquired businesses 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 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 12.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 therefore to record the income and expenses related to the Scheme as an Adjusting Item.

Defined benefit income and expenses are split into four categories:

- Gains and losses on curtailments and settlements and costs incurred in the running of the Scheme.
- Net pension finance charge.
- Past service costs including Guaranteed Minimum Pension ('GMP') costs.
- Remeasurement of gains and losses.

The Group presents the first three components of the Scheme's costs within Adjusting Items in its Consolidated Income Statement and the remeasurement costs within the Consolidated Statement of Comprehensive Income.

(n) 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 the Consolidated Statement of Changes in 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.

(o) Employee Share Ownership Plan ('ESOP')

As the Group is deemed to have control of its ESOP trust, it is included in the consolidated financial statements. The ESOP's assets and liabilities are included on a line-by-line basis in the consolidated financial statements. The ESOP's investment in the Group's shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.

(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.

Further details on the adoption of the IFRS 16 Leases standard are disclosed in note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES continued

(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 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.

(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.

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 APMs provides useful information in the understanding of 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 page 119 to 120. These definitions have been applied consistently period-on-period. 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 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 £85.7 million (2018: £84.7 million). A sensitivity analysis can be found in note 17.

Impairment of acquired intangibles

The Group considers the recoverability of acquired intangibles which are included within the Consolidated Balance Sheet at £25.6 million (2018: £31.5 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 17.

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 retirement benefits scheme was £6.7 million (2018: surplus of £1.9 million). A sensitivity analysis can be found in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. REVENUE

An analysis of the Group's revenue as defined by International Financial Reporting Standard 15 – 'Revenue' is as follows:

	2019 £'000	2018 £'000
Continuing operations:		
Rendering of services	**172,874**	178,355
Discontinued operations:		
Sale of goods	**–**	140,738
Continuing and discontinued operations:		
Sale of goods	**–**	140,738
Rendering of services	**172,874**	178,355
Revenue from the sale of goods and rendering of services	**172,874**	319,093

4. SEGMENT REPORTING

The Group delivers transformative growth for the world's largest companies and fuses three specialisms – strategy, innovation, and communications under its organisational model: the Connective. It is a network which spans all of the Group's digital transformation businesses.

The Group reports its results through one segment – the Connective – and with corporate costs shown as a separate segment 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 who are primarily responsible for the assessment of the performance of the businesses/brands which currently operate under the Connective.

The corporate costs are reported separately to the single operating segment as this presentation better reflects the segment's underlying profitability.

Results from continuing operations for the current period:

	362 days to 31 July 2019		
	The Connective £'000	Corporate costs £'000	Total £'000
Revenue	**172,874**	**–**	**172,874**
Net revenue	**148,259**	**–**	**148,259**
Adjusting Items	**(238)**	**–**	**(238)**
Adjusted net revenue	**148,021**	**–**	**148,021**
Operating profit/(loss) before Adjusting Items	**25,631**	**(5,746)**	**19,885**
Adjusting Items	**(9,913)**	**(5,707)**	**(15,620)**
Statutory profit/(loss) from operations	**15,718**	**(11,453)**	**4,265**
Net pension finance income			**30**
Other finance expense			**(2,518)**
Statutory profit before tax			**1,777**
Income tax charge			**(656)**
Statutory net profit for the period from continuing operations			**1,121**

4. SEGMENT REPORTING continued

Results from continuing operations for the prior period:

	371 days to 3 August 2018 (restated note 39)		
	The Connective £'000	Corporate costs £'000	Total £'000
Revenue	178,355	–	178,355
Net revenue	149,741	–	149,741
Adjusting Items	(63)	–	(63)
Net adjusted revenue	149,678	–	149,678
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)

Other information

	At 31 July 2019		
	Continuing operations £'000	**Discontinued operations £'000**	**Total £'000**
Capital additions	**3,034**	**–**	**3,034**
Depreciation and amortisation charges	**9,471**	**–**	**9,471**
Impairment charges	**159**	**–**	**159**

	At 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

Geographical segments

Operations

Revenue by geographical area is based on the location where the provision of goods and services has been provided.

	362 days to 31 July 2019 £'000	371 days to 3 August 2018 £'000
United Kingdom	**105,738**	119,753
United States of America	**65,166**	57,066
Rest of the world	**1,970**	1,536
Total	**172,874**	178,355

Customer location

The Group derives 51% (2018: 55%) of the total revenue from customers located in the UK, 41% (2018: 36%) of the total revenue from customers located in the US, and 8% (2018: 9%) from customers located in the rest of the world.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. OPERATING PROFIT/(LOSS)

Profit/(loss) from operations includes continuing and discontinuing operations with the exception of operating lease rentals which only represent continuing operations. Profit/(loss) from operations has been arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Auditors' remuneration		
Audit fees:		
– Audit of the Company accounts	**178**	185
– Audit of the accounts of the Company's subsidiaries	**169**	318
	347	503
Other assurance-related services	**45**	40
Non-audit fees:		
– Transaction-related services	**–**	230
Total fees paid to the auditors	**392**	773
Staff costs (note 6)	**105,942**	164,848
Depreciation of property, plant and equipment (note 15)	**2,402**	3,669
Depreciation of investment property (note 16)	**246**	236
Amortisation of intangible assets (note 17)	**6,823**	8,683
Impairment of non-current and current assets – continuing operations	**159**	–
Impairment of goodwill and intangible assets – continuing operations	**–**	12,082
Impairment of non-current and current assets – discontinuing operations	**–**	18,833
Operating lease rentals		
– land and buildings	**5,716**	4,457
– plant and equipment	**31**	23
– other	**53**	59
Loss on disposal of property, plant and equipment included in Adjusting Items	**5**	20
Profit on disposal of property, plant and equipment included in Adjusting Items	**(1,771)**	(1,542)

6. STAFF COSTS

The average monthly number of employees (including Executive Directors) was:

	31 July 2019 Number	3 August 2018 Number
Continuing operations		
Operations	**1,193**	1,162
Sales	**136**	73
Administration	**234**	208
Continuing operations	**1,563**	1,443
Discontinued operations	**–**	1,909
Continuing and discontinued operations	**1,563**	3,352

6. STAFF COSTS continued

The employment costs during the period were:

	2019 £'000	2018 £'000
Continuing operations		
Wages and salaries	**97,265**	99,211
Social security costs	**5,408**	5,694
Other pension costs	**2,250**	2,201
	104,923	107,106
Share-based contingent consideration deemed as remuneration	**1,669**	16,704
Share-based payment (credit)/charge	**(650)**	7,290
Continuing operations	**105,942**	131,100
Discontinued operations	**–**	33,748
Continuing and discontinued operations	**105,942**	164,848

The period-on-period decrease of £58.9 million in staff costs was due to a charge of £50.5 million arising in the prior period relating to contingent consideration required to be treated as remuneration, of which £16.7 million was included within continuing operations and £33.7 million within discontinued operations.

7. ADJUSTING ITEMS

Adjusting Items disclosed on the face of the Consolidated Income Statement included in respect of continuing operations are as follows:

Expense/(income)	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Restructuring items				
Redundancies and other charges	**1,946**		2,737	
Losses related to closure of a subsidiary	**251**		–	
Costs associated with empty properties	**279**		325	
Impairment of tangible assets	**159**		–	
		2,635		3,062
St Ives Defined Benefits Pension Scheme costs				
Scheme administrative costs	**502**		617	
Curtailment credit	**–**		(1,261)	
Past service cost (GMP equalisation uplift)	**4,126**		–	
Other related costs	**1,079**		613	
		5,707		(31)
Costs related to acquisitions made in prior periods				
Amortisation of acquired intangibles	**6,674**		8,659	
Impairment of goodwill and intangible assets	**–**		12,082	
Contingent consideration required to be treated as remuneration	**2,375**		23,994	
Increase in deferred consideration	**–**		3,094	
		9,049		47,829
Adjusting Items		**17,391**		50,860
Profit on disposal of property, plant and equipment		**(1,771)**		(1,542)
Adjusting Items before interest and tax		**15,620**		49,318
Bank arrangement fees		**189**		–
Net pension finance (credit)/charge in respect of defined benefits pension scheme		**(30)**		324
Adjusting Items before tax		**15,779**		49,642
Income tax credit		**(2,772)**		(2,436)
Adjusting Items after tax		**13,007**		47,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. ADJUSTING ITEMS continued

Restructuring items

Current period

Redundancy and restructuring costs of £1.9 million were incurred in the course of changing the Group's proposition across Innovation, Communication and Strategy capabilities.

During the period, a decision was made to cease the operations of My Bench Limited, a 100% owned subsidiary of Kin and Carta plc, and therefore a charge of £0.3 million comprising the losses incurred after the decision to close, was recorded as an Adjusting Item.

Empty property cost of £0.3 million and impairment of £0.2 million are recorded in respect of the restructuring of Pragma.

Prior period

The restructuring items in the 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.

There were empty property costs of £0.3 million following the amalgamation of Occam and Response One into the new Edit office located in Bath.

Disposal of properties

Current period

The profit on disposal of property, plant and equipment is comprised of £1.9 million relating to the sale of property in Redditch offset by a loss of £0.1 million relating to obsolete software.

Prior period

The profit on disposal of property, plant and equipment of £1.5 million relates to the sale of properties in Bungay and Bath.

St Ives Defined Benefit Pension Scheme costs

Current period

The Scheme charges include service costs of £0.5 million, net pension finance credit of £30,000, a Guaranteed Minimum Pension (GMP) equalisation uplift of £4.1 million and costs in relation to running the Scheme of £1.1 million.

Prior period

The Scheme charges include service costs of £0.6 million, a net pension finance charge of £0.4 million and costs in relation to running the Scheme of £0.6 million offset by a one-off curtailment credit of £1.3 million.

Costs related to acquisitions made in current and prior periods

Current period

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software intangibles were £6.7 million in the current period (note 17).

During the period, charges relating to contingent consideration deemed as remuneration of £2.4 million were recorded in the Consolidated Income Statement as Adjusting Items. The charges are in respect of the acquisition of The App Business.

Prior period

Due to a decline in revenue generated from the 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.

7. ADJUSTING ITEMS continued

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software intangibles were £8.7 million (note 17).

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 respect of Solstice.

Tax
In the current period, the tax credit of £2.8 million (2018: £2.4 million) relates to the items discussed above.

Discontinued operations
In the prior period, a cost of £0.3 million was recorded as Adjusting Items in respect of the disposal of the Books and Marketing Activation segments.

8. DISCONTINUED OPERATIONS

The Group disposed of its Books and Marketing Activation segments in the prior period. As a result these segments have been classified as discontinued operations for the prior period. There are no discontinued operations in the current year.

The results of the discontinued operations for the prior period are summarised as follows:

	371 days to 3 August 2018 £'000
Revenue	140,738
Operating costs	(136,562)
Profit before tax before Adjusting Items	4,176
Income tax charge	(665)
Profit after tax before Adjusting Items	3,511

Adjusting Items from discontinued operations are analysed below:

	371 days to 3 August 2018 £'000
Impairment of goodwill	(14,482)
Impairment of non-current and current assets	(4,351)
Amortisation of acquired intangibles and other Adjusting Items	173
Total Adjusting Items before tax	(18,660)
Gain on sale of discontinued operations	18,334
Total Adjusting Items after tax	(326)

	371 days to 3 August 2018 £'000
Profit after tax before Adjusting Items	3,511
Total Adjusting Items after tax	(326)
Statutory profit after tax	3,185

9. PENSION FINANCE (CREDIT)/CHARGE

	2019 £'000	2018 £'000
Investment income on defined benefit pension scheme assets (note 28)	**(9,388)**	(9,035)
Interest costs on defined benefit pension scheme obligations (note 28)	**9,358**	9,359
	(30)	324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. OTHER FINANCE COSTS

	2019 £'000	2018 £'000
Interest on bank overdrafts and loans	2,052	2,694
Bank arrangement fee relating to current bank revolving facility	277	–
Bank arrangement fee relating to expired bank revolving facility	189	–
	2,518	2,694

11. TAX

Income tax on the profit/(loss) as shown in the Consolidated Income Statement is as follows:

Continuing operations:	2019 £'000	2018 £'000
Total current tax charge:		
Current period	(2,970)	(3,588)
Adjustments in respect of prior periods	(575)	58
Total current tax charge	(3,545)	(3,530)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	2,641	2,249
Adjustments in respect of prior periods	248	58
Total deferred tax credit (note 27)	2,889	2,307
Total income tax charge	(656)	(1,223)

Discontinued operations:	2019 £'000	2018 £'000
Total current tax charge:		
Current period	–	(894)
Adjustments in respect of prior periods	–	35
Total current tax charge	–	(859)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	–	175
Adjustments in respect of prior periods	–	19
Total deferred tax credit (note 27)	–	194
Total income tax charge	–	(665)

Continuing and discontinued operations:	2019 £'000	2018 £'000
Total current tax charge:		
Current period	(2,970)	(4,482)
Adjustments in respect of prior periods	(575)	93
Total current tax charge	(3,545)	(4,389)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	2,641	2,424
Adjustments in respect of prior periods	248	77
Total deferred tax credit (note 27)	2,889	2,501
Total income tax charge	(656)	(1,888)

Income tax on the profit/(loss) from continuing operations before and after Adjusting Items is as follows:

	2019 £'000	2018 £'000
Tax charge on Adjusted profit before tax	(3,428)	(3,659)
Tax credit on Adjusting Items	2,772	2,436
Total income tax charge	(656)	(1,223)

11. TAX continued

The tax charge for continuing operations can be reconciled to the profit/(loss) before tax shown in the Consolidated Income Statement as follows:

	2019 £'000	2018 £'000
Profit/(loss) before tax from continuing operations	**1,777**	(31,171)
Tax calculated at a rate of 46.9% (2018: 19.04%)	**(835)**	5,935
Non-deductible charges on impairment of tangible and intangible assets	**–**	(1,817)
Expenses not deductible for tax purposes	**(789)**	(6,546)
Effect of tax deductible goodwill	**588**	626
Effect of change in United Kingdom corporate tax rate	**66**	(46)
Credit on research and development activities	**255**	244
Movement in deferred tax on industrial buildings	**368**	290
Reassessment of tax losses	**18**	(25)
Adjustments in respect of prior periods	**(327)**	116
Total income tax charge	**(656)**	(1,223)

Income tax as shown in the Consolidated Statement of Comprehensive Income is as follows:

	2019 £'000	2018 £'000
United Kingdom corporation tax credit	**608**	1,258
Deferred tax on origination and reversal of temporary differences (note 27)	**(1,599)**	(2,989)
Total income tax charge	**(991)**	(1,731)

Income tax as shown in the Consolidated Statement of Changes in Equity is as follows:

	2019 £'000	2018 £'000
Deferred tax on origination and reversal of temporary differences (note 27)	**75**	(74)

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 have been calculated using a rate of 28.51% (2018: 33.83%) which reflects a full year of the impact of the reduction in the federal rate of US income tax in January 2018.

Blended tax rates

The blended tax rate is calculated at 46.9% (2018: 19.04%). This is mainly due to profits of £5.0 million taxed at US federal tax rates and relevant US state tax rates (28.51%), offset by losses of £3.2 million in UK being taxed at the UK corporation tax rate (19%). Taxation for other jurisdictions is calculated at the statutory rates prevailing in the respective jurisdictions.

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'). The deferred consideration payable for the remainder of the third and final tranche of consideration of £3.4 million was settled in cash in August 2018.

The App Business Limited

In January 2016, the Group acquired 100% of the issued share capital of The App Business Limited ('TAB'). Deferred consideration was payable in four tranches dependent upon the level of EBITDA achieved by TAB for the years ended 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 was equal to or greater than the EBITDA for the year to 30 April 2018. The Group issued 5.7 million ordinary shares in the period ended 3 August 2018 and, subsequently made a cash payment of £16.5 million to settle the third tranche of deferred consideration during the current period.

Subsequent to the year end, the Group paid £1.2 million in cash and issued a loan note of £0.8 million in respect of the fourth tranche of deferred consideration of £2.0 million. The loan note is exercisable after January 2020.

The deferred consideration payable as at 31 July 2019 is as follows:

	Deferred consideration payable as at 31 July 2019 £'000
TAB – Fourth Tranche	**2,000**

The movement in the deferred consideration liability is as follows:

	£'000
Deferred consideration payable as at 4 August 2018	21,170
Amounts paid in current period	(19,875)
Charge in the current period related to deferred consideration liability	705
Deferred consideration payable as at 31 July 2019	**2,000**

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:

	2019 £'000
TAB – deferred consideration	**16,523**
Solstice – deferred consideration	**3,352**
Net cash outflow	**19,875**

13. DIVIDENDS

	per share	2019 £'000	2018 £'000
Final dividend paid for the period ended 28 July 2017	1.30p	**–**	1,857
Interim dividend paid for the period ended 2 February 2018	0.65p	**–**	927
Final dividend paid for the period ended 3 August 2018	1.30p	**1,993**	–
Interim dividend paid for the period ended 31 January 2019	0.65p	**997**	–
Dividends paid during the period		**2,990**	2,784
Proposed final dividend at the period end of 1.30p per share (2018: 1.30p per share)	1.30p	**1,993**	1,993

The proposed final dividend is subject to the approval by shareholders at the 2019 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:

	2019 £'000	2018 £'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**153,307**	146,654
Effect of dilutive potential ordinary shares:		
Share options	**842**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**154,149**	146,654

In 2018, the share options were anti-dilutive and as such no diluted earnings per share is presented for 2018.

	2019		2018	
Continuing operations	Earnings/(loss) £'000	Earnings/(loss) per share pence	Earnings/(loss) £'000	Earnings/(loss) per share pence
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and Adjusted basic earnings per share	**14,128**	**9.22**	14,812	10.10
Adjusting Items	**(13,007)**	**(8.49)**	(47,206)	(32.19)
Earnings/(loss) and basic earnings/(loss) per share	**1,121**	**0.73**	(32,394)	(22.09)
Earnings/(loss) and diluted earnings/(loss) per share				
Adjusted earnings and Adjusted diluted earnings per share	**14,128**	**9.17**	14,812	10.10
Adjusting Items	**(13,007)**	**(8.44)**	(47,206)	(32.19)
Earnings/(loss) and diluted earnings/(loss) per share	**1,121**	**0.73**	(32,394)	(22.09)
Discontinued operations				
Earnings and basic earnings per share				
Adjusted earnings and Adjusted basic earnings per share	**–**	**–**	3,511	2.39
Adjusting Items	**–**	**–**	(326)	(0.22)
Earnings and basic earnings per share	**–**	**–**	3,185	2.17
Earnings and diluted earnings per share				
Adjusted earnings and Adjusted diluted earnings per share	**–**	**–**	3,511	2.39
Adjusting Items	**–**	**–**	(326)	(0.22)
Earnings and diluted earnings per share	**–**	**–**	3,185	2.17
Continuing and discontinued operations				
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and Adjusted basic earnings per share	**14,128**	**9.22**	18,323	12.49
Adjusting Items	**(13,007)**	**(8.49)**	(47,532)	(32.41)
Earnings/(loss) and basic earnings/(loss) per share	**1,121**	**0.73**	(29,209)	(19.92)
Earnings/(loss) and diluted earnings/(loss) per share				
Adjusted earnings and Adjusted diluted earnings per share	**14,128**	**9.17**	18,323	12.49
Adjusting Items	**(13,007)**	**(8.44)**	(47,532)	(32.41)
Earnings/(loss) and diluted earnings/(loss) per share	**1,121**	**0.73**	(29,209)	(19.92)

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 or valuation:					
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	–	(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
Additions	–	647	1,587	445	2,679
Disposals	–	(186)	(1,678)	(179)	(2,043)
Reclassification	(263)	301	–	(38)	–
Reclassification – software	–	–	(341)	–	(341)
Reclassification – investment property	–	–	(656)	–	(656)
Foreign exchange	–	46	109	121	276
At 31 July 2019	**–**	**3,909**	**3,759**	**2,981**	**10,649**
Accumulated depreciation and impairment:					
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	–	(3,144)	(78,050)	(6,947)	(88,141)
Impairment – discontinued operations	–	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
Charge for the period	–	635	1,189	578	2,402
Impairment	–	159	–	–	159
Disposals	–	(186)	(1,648)	(163)	(1,997)
Reclassification	(189)	319	–	(130)	–
Foreign exchange	–	18	74	61	153
At 31 July 2019	**–**	**1,855**	**1,913**	**1,382**	**5,150**
Net book value:					
At 31 July 2019	**–**	**2,054**	**1,846**	**1,599**	**5,499**
At 3 August 2018	74	2,191	2,440	1,596	6,301

The amount of fully depreciated property, plant and equipment as at the period end is £2.8 million (2018: £3.1 million).

16. INVESTMENT PROPERTY

	Investment Property £'000
Cost:	
At 3 August 2018	**7,394**
Additions	77
Reclassification – property, plant and equipment	656
At 31 July 2019	**8,127**
Accumulated depreciation:	
At 3 August 2018	**2,924**
Charge	246
At 31 July 2019	**3,170**
Net book value:	
At 31 July 2019	**4,957**
At 3 August 2018	4,470

As at 31 July 2019, the fair value of investment properties is not materially different from its net book value of £5.0 million. This was arrived at on the basis of a valuation carried out by CBRE, independent valuers not connected with the Group on 25 November 2016. The valuation conforms to International Valuation Standards.

An amount in relation to rental income from investment properties of £0.8 million (2018: £0.3 million) has been recognised in the Consolidated Income Statement.

The Group has freehold land with a net book value of £0.2 million (2018: £2.2 million). These assets have not been depreciated.

17. GOODWILL AND OTHER INTANGIBLE ASSETS

	£'000
Cost and carrying amount of goodwill:	
At 28 July 2017	**108,676**
Impairment – continuing operations	(9,564)
Impairment – discontinued operations	(14,482)
Foreign exchange	112
At 3 August 2018	84,742
Foreign exchange	920
At 31 July 2019	**85,662**

The exchange rate movement of £0.9 million (2018: £0.1 million) relates to Solstice's goodwill, which is denominated in US Dollars.

Goodwill is allocated amongst the following cash-generating units ('CGUs'):

	2019 £'000	2018 £'000
Continuing operations:		
AmazeRealise	**31,294**	31,294
Edit	**23,522**	23,522
Hive	**5,500**	5,500
Incite	**601**	601
Pragma	**886**	886
Solstice	**15,481**	14,561
The App Business	**8,378**	8,378
	85,662	84,742

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. GOODWILL AND OTHER INTANGIBLE ASSETS continued

Changes in CGU

During the prior period, the Data Marketing businesses and Branded3 were merged to create a new agency, Edit, that is now able to offer a single data capability to its clients. The goodwill of these CGUs was combined to better reflect this new proposition.

Amaze and Realise continue to work closely under a single brand, AmazeRealise, and a common management structure. The goodwill of these CGUs was combined in the prior period under AmazeRealise.

Prior to both of the above mergers there was no impairment of goodwill required.

During the prior period 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.

Assumptions

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 2020 and 2021 and forecasts based on a nominal revenue growth rate of 2.6% for the financial periods 2022, 2023 and 2024. 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% (2018: 2%) has been used in the value-in-use calculation to derive the terminal value for each CGU. The assumptions were applied for all CGUs including Solstice.

The pre-tax discount rate used for all of the CGUs, other than Solstice, was 10.3% (2018: 10.7%). The pre-tax discount rate used for Solstice, a US-based subsidiary, was 13.0% (2018: 12.6%).

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	10.3%	38,333	13.7%	9.1%
Edit	10.3%	13,647	10.9%	4.2%
Hive	10.3%	5,382	4.0%	7.8%
Incite	10.3%	29,830	100.0%	100.0%
Pragma	10.3%	3,204	21.3%	16.8%
Solstice	13.0%	113,668	70.4%	65.4%
The App Business	10.3%	92,213	47.4%	51.6%

Reasonably possible changes in key assumptions:

Edit continues to enhance its offering to ensure its services are GDPR compliant. 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.

During the current period, Hive have experienced an increase in new business wins and has restructured its cost base to align with the Group strategy. However, due to the evolving technologies in the Health sector, projected revenue growth for Hive and its dependence 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.

17. GOODWILL AND OTHER INTANGIBLE ASSETS continued

Other intangible assets

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Trademarks £'000	Total £'000
Cost:					
At 28 July 2017	11,150	36,489	46,036	3,244	96,919
Additions	149	–	–	–	149
Disposals – discontinued operations	(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
Additions	279	–	–	–	279
Reclassification – property, plant and equipment	341	–	–	–	341
Disposals	(2,168)	–	–	–	(2,168)
Foreign exchange	7	121	644	69	841
At 31 July 2019	**5,404**	**29,784**	**46,759**	**3,320**	**85,267**
Accumulated amortisation:					
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	–	–	2,518	–	2,518
Disposals – discontinued operations	(4,043)	(6,840)	–	–	(10,883)
Disposals – continuing operations	(289)	–	–	–	(289)
Impairment – discontinued operations	23	221	–	–	244
Foreign exchange	–	25	53	3	81
At 3 August 2018	6,505	22,584	24,280	1,112	54,481
Charge for the period	239	2,878	3,379	327	6,823
Disposals	(2,032)	–	–	–	(2,032)
Foreign exchange	3	118	273	28	422
At 31 July 2019	**4,715**	**25,580**	**27,932**	**1,467**	**59,694**
Net book value:					
At 31 July 2019	**689**	**4,204**	**18,827**	**1,853**	**25,573**
At 3 August 2018	440	7,079	21,835	2,139	31,493

The research and development costs incurred during the period were estimated at £1.0 million (2018: £1.1 million). All research and development costs were expensed in the current and prior period.

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 overleaf.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. GOODWILL AND OTHER INTANGIBLE ASSETS continued

	Remaining amortisation period (months)	2019 £'000	2018 £'000
Customer relationships:			
AmazeRealise	32	**1,285**	1,767
Edit	25	**2,343**	3,467
Incite	7	**576**	1,565
Solstice	–	**–**	280
		4,204	7,079

	Remaining amortisation period (months)	2019 £'000	2018 £'000
Proprietary techniques:			
AmazeRealise	55	**4,016**	4,892
Pragma	38	**763**	1,004
Solstice	67	**6,057**	6,718
TAB	78	**7,991**	9,221
		18,827	21,835

18. OTHER LONG-TERM FINANCIAL ASSET

	2019 £'000	2018 £'000
Carried at fair value:		
Unlisted shares	**–**	3
Total	**–**	3

As at 3 August 2018 and 31 July 2019, the Group holds a non-controlling interest of 9.0% in Ebeltoft Corporation Limited.

19. INVESTMENT IN JOINT ARRANGEMENT

	Share of net assets of joint arrangement £'000
At 3 August 2018	223
Additions	118
Reclassification	3
Share of results of joint arrangement	169
Foreign exchange	34
At 31 July 2019	547

The Group holds a 50% interest in Loop Integration LLC ('Loop'), incorporated in Chicago, USA. The principal operation of the company is an ecommerce consultancy specialising in Hybris software integration. During the period, there was an advance of a loan to Loop of £0.1 million. More details can be found in note 38.

20. OTHER FINANCIAL ASSETS

Trade and other receivables	2019 £'000	2018 £'000
Amounts receivable for the sale of goods and services	**25,881**	25,859
Less: provision for impairment of trade receivables	**(988)**	(1,456)
Trade receivables	**24,893**	24,403
Accrued income	**10,379**	10,687
Other receivables	**258**	251
Prepayments and other assets	**5,381**	5,110
	40,911	40,451

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Non-current assets	2019 £'000	2018 £'000
Other receivables	**18**	13

Cash and cash equivalents	2019 £'000	2018 £'000
Cash and cash equivalents	**22,017**	14,398

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate to their fair value.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets	2019 £'000	2018 £'000
Forward foreign currency contracts	**–**	291

Derivative financial liabilities	2019 £'000	2018 £'000
Forward foreign currency contracts	**158**	62

All forward foreign currency contracts are designated and effective as hedging instruments.

22. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	**5,533**	8,920
Accruals for goods and services	**7,742**	9,366
Other taxes, social security and employee-related liabilities	**11,030**	12,772
Other payables	**3,174**	4,793
	27,479	35,851

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. LOANS

	2019 £'000	2018 £'000
Bank loans		
Current liabilities	–	40,363
Non-current liabilities	**60,416**	–

Bank loans

During the year the Group refinanced its debt and now has access to a multicurrency credit facility of £85.0 million which is due to expire on 30 November 2022, of which up to £7.5 million can be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.75% and 2.00%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at an average rate of 1.65% over UK base rate and 2.25% over US base rate dependent on the currency of the loan.

As at 31 July 2019, the Group's outstanding loans within this facility were £60.4 million (2018: £40.4 million). The undrawn portion of this facility at 31 July 2019 was £24.6 million (2018: £54.6 million).

The Directors consider that the carrying amount of the loans approximates to their fair value.

24. DEFERRED INCOME

	2019 £'000	2018 £'000
Deferred income	**5,195**	4,915

There were no significant changes in the deferred income balances during the reporting period. All the brought forward deferred income was recognised as revenue in the current reporting period and deferred income carried forward is expected to be recognised as revenue in the next 12 months. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

25. PROVISIONS

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
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
Charged to the Consolidated Income Statement	908	282	1,190
Utilised during the period	(73)	(482)	(555)
Release	(146)	–	(146)
Balance at 31 July 2019	**2,167**	**1,090**	**3,257**
Current	383	1,000	1,383
Non-current	1,784	90	1,874
	2,167	1,090	3,257

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 2020 and 2025.

Provision for reorganisation

The provision for reorganisation comprises redundancy payments, onerous property and other costs of which £1.0 million is payable within 12 months and £0.1 million is payable in 2021.

26. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities of £2.2 million (2018: £0.8 million) primarily relate to lease incentive accrual as part of the leasehold property.

27. 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 (2018: 17%) and 28.51% for US operations (2018: 33.83%). The reduction in the tax rates for US operations reflects the recent change in the federal corporate tax rates from 35% to 21%.

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	2019 £'000	2018 £'000
Deferred tax assets	(2,528)	(1,264)
Deferred tax liabilities	3,845	4,318
	1,317	3,054

The net movement in the deferred tax assets and deferred tax liabilities is as follows:

	2019 £'000	2018 £'000
At the beginning of the period 4 August 2018/29 July 2017	3,054	921
Disposal – discontinued operations	–	1,208
Credit to the Consolidated Income Statement (note 11)	(2,889)	(2,501)
Items taken to other comprehensive income	1,599	2,989
Items taken directly to equity	(75)	74
Foreign exchange	(372)	363
At the end of the period 31 July 2019/3 August 2018	1,317	3,054

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 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
(Credit)/charge to the consolidated income statement	(138)	(782)	–	(767)	113	(1,315)	(2,889)
Items taken directly to other comprehensive income	–	1,599	–	–	–	–	1,599
Items taken directly to equity	–	–	–	–	(75)	–	(75)
Foreign exchange	(56)	–	–	–	–	(316)	(372)
Balance at 31 July 2019	**573**	**1,133**	**69**	**(1,913)**	**(141)**	**1,596**	**1,317**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. DEFERRED TAX continued

Unrecognised gross tax losses, all of which have an unlimited life, are as follows:

	2019 £'000	2018 £'000
Unrecognised trading losses	**643**	895
Unrecognised capital losses	**15,567**	15,113
	16,210	16,008

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 £44.4 million.

28. 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 the 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 £2.3 million (2018: £2.0 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 31 July 2019, contributions of £0.1 million (2018: £0.3 million) due in respect of the 2019 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 the State Second Pension. 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 actuarial valuation completed by the Scheme had an effective date of 6 April 2016. Since then a further valuation is in progress as at 6 April 2019 with the preliminary results prepared by XPS Pensions Limited. The Scheme's liability at 31 July 2019 have been estimated by updating the preliminary results as at 6 April 2019 by allowing for the passage of time, the expected benefits paid from the Scheme and the change in assumptions. The bid value of the Scheme's assets as at 31 July 2019 has been provided by River and Mercantile Solutions.

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:

	2019 per annum	2018 per annum
Discount rate	**2.15%**	2.70%
Expected rate of inflation	**3.15%**	3.05%
Expected rate of salary increases	**nil**	nil
Future pension increases	**3.05%**	2.90%

28. RETIREMENT BENEFITS continued

Assumed life expectancies for retirement at the age of 65 are as follows:

	2019		2018	
	Male	Female	Male	Female
Members retiring immediately	20.9	22.9	21.4	23.3
Members retiring in 20 years' time	22.3	24.4	22.8	24.9

The amount recognised in the Consolidated Balance Sheet in respect of the Scheme is as follows:

	2019 £'000	2018 £'000
Present value of funded obligations	(379,227)	(351,591)
Fair value of Scheme assets	385,892	353,449
Retirement benefits surplus	6,665	1,858

Amounts recognised in the Consolidated Income Statement in respect of the Scheme as Adjusting Items are as follows:

	2019 £'000	2018 £'000
Scheme administrative costs (note 7)	502	617
Curtailment credit (note 7)	–	(1,261)
Interest costs on defined benefit pension scheme obligations (note 9)	9,358	9,359
Investment income on defined benefit pension scheme assets (note 9)	(9,388)	(9,035)
Service cost – past service cost (GMP equalisation uplift) (note 7)	4,126	–
	4,598	(320)

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the Scheme are as follows:

	2019 £'000	2018 £'000
Net measurement – (losses)/gains – financial	(40,961)	6,242
Net measurement – gains/(losses) – experience	3,034	(1,603)
Net measurement – gains – demographic	9,591	2,370
Return on assets, in excess of interest income recorded in the Consolidated Income Statement	34,542	3,949
	6,206	10,958

Changes in the present value of the Scheme obligations are as follows:

	2019 £'000	2018 £'000
Opening defined benefits obligation	351,591	370,535
Interest cost	9,358	9,359
Net measurement – losses/(gains) – financial	40,961	(6,242)
Net measurement – gains – demographic	(9,591)	(2,370)
Net measurement – (gains)/losses – experience	(3,034)	1,603
Curtailment credit	–	(1,261)
Benefits paid	(14,184)	(20,033)
Past service cost – GMP equalisation uplift	4,126	–
Closing defined benefits obligation	379,227	351,591

The Group has an unconditional right to a refund of any surplus at the end of the Scheme's duration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. RETIREMENT BENEFITS continued

Changes in the fair value of the Scheme assets are as follows:

	2019 £'000	2018 £'000
Opening fair value of Scheme assets	**353,449**	354,494
Interest income on Scheme assets	**9,388**	9,035
Return on assets, in excess of interest income, recorded in the Consolidated Statement of Comprehensive Income	**34,542**	3,949
Contributions by employer	**3,199**	6,621
Benefits paid	**(14,184)**	(20,033)
Scheme administrative cost	**(502)**	(617)
Closing fair value of Scheme assets	**385,892**	353,449

The fair value of the Scheme assets at the balance sheet date is analysed as follows:

	Value at 31 July 2019 £'000	Value at 3 August 2018 £'000
Equity instruments	**208,320**	188,686
Bonds	**161,047**	146,602
Other	**16,525**	18,161
	385,892	353,449

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 31 July 2019 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 7%
Assumed life expectancy at age 65	Increase by 1 year	Increase by 5%

28. RETIREMENT BENEFITS continued

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 31 July 2019, 58% of the Scheme's assets are quoted in active markets and 42% 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 £2.6 million per year with a view to eliminating the shortfall by August 2026. The Company has also agreed to pay £400,000 per year towards the cost of running the Scheme. As at 31 July 2019, the triennial full actuarial calculation for the Scheme is ongoing.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme over the next 75 years. The average duration of the liabilities is approximately 18 years.

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 has an unconditional right to a refund of any surplus in the defined benefits pension scheme at the end of the Scheme's duration. 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.

29. FINANCIAL INSTRUMENTS

The financial instruments by category and maturity profile are as follows:

Financial instrument category	Note	Amortised cost £'000	Fair value through profit and loss £'000	Maturity profile
Trade and other receivables	20	40,911	–	Less than 12 months
Cash and cash equivalents	20	22,017	–	Less than 12 months
Trade and other payables	22	27,479	–	Less than 12 months
Derivative financial instruments – liabilities	21	–	158	Less than 12 months
Deferred consideration payable	12	–	2,000	Less than 12 months

The maturity profile is based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial assets/liabilities at 31 July 2019, based on contractual undiscounted receipts/payments.

30. 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.

At the 2019 period end the Group's borrowings consisted of various loan drawdowns under the Group's revolving multicurrency credit facility. As at 31 July 2019 all of the Group's borrowings were set to mature within one to four 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT continued

Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk by currency are set out below:

Financial assets subject to interest rate risk

	2019 £'000	2018 £'000
Sterling	**5,912**	1,499
US Dollar	**14,796**	11,865
Euro	**984**	799
Singapore Dollar	**67**	95
Argentine Peso	**236**	115
Chinese Yuan	**22**	25
	22,017	14,398

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

	2019 £'000	2018 £'000
Sterling bank loans	**40,000**	25,000
US Dollar bank loans	**20,416**	15,363
	60,416	40,363

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.

	2019 £'000	2018 £'000
100% movement in Sterling LIBOR	**465**	324

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.
- Canada at prices denominated in CAD Dollars.

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 31 July 2019, the aggregate amount of unrealised loss under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade receivables and anticipated sale transactions amounted to £200,000. It is anticipated that the sales receipts will occur in the 12 months following the balance sheet date.

30. FINANCIAL RISK MANAGEMENT continued

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
Sell US Dollars (up to 12 months)	1.31	388	297	317
Sell CAD Dollars (up to 12 months)	1.77	162	91	101
Sell Euros (up to 12 months)	1.16	2,768	2,389	2,517

Exchange rate sensitivity analysis

As at 31 July 2019, $25 million were drawn in US Dollars on the revolving credit facility.

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 provision for impairment of trade 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 customers, 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 £4.4 million (2018: £5.7 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

	2019 £'000	2018 £'000
Between 0 and 59 days	65	343
Between 60 and 89 days	312	430
Between 90 and 119 days	535	346
120 days and above	76	337
	988	1,456

Movement in provision for impairment of trade receivables

	2019 £'000	2018 £'000
Balance at the beginning of the period	1,456	1,991
Impairment losses recognised	193	166
Impairment losses reversed	(661)	(701)
Balance at the end of the period	988	1,456

Consideration of expected credit losses

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 provision for impairment of trade receivables already recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT continued

Ageing of past due but not impaired receivables

	2019 £'000	2018 £'000
Between 0 and 59 days	**3,779**	5,199
Between 60 and 89 days	**244**	484
Between 90 and 119 days	**391**	–
	4,414	5,683

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 negotiated a revolving credit facility from £95.0 million to £85.0 million. Up to £7.5 million of this facility can be drawn as an overdraft facility. The facility agreement will expire on 30 November 2022. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

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 23, 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 £95 million to £85 million. Interest on loan drawdowns is charged at LIBOR plus a margin which varied between 1.75% and 2.00%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at an average rate of 1.65% over UK base rate and 2.25% over US base rate dependent on the currency of the loan.

The Group is subject to covenants on its borrowings (further discussed in the Financial Review on page 32) 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 1.7 times (2018: 1.1 times) and interest cover was 9 times (2018: 8 times). The covenant criteria throughout the financial period required the Group's leverage ratio to be less than 2.5 and interest cover to be greater than 4. The Group has fully complied with the requirements of these covenants during the period under review and expects to continue to do so.

31. SHARE CAPITAL

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 3 August 2018 and at 31 July 2019	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 1 October 2019 was 153,426,476.

32. ADDITIONAL PAID-IN CAPITAL

	Share premium £'000	Merger Reserve £'000	Capital redemption reserve £'000	Total £'000
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
Transfer of contingent consideration deemed as remuneration	–	128	–	128
Balance at 31 July 2019	60,237	9,190	1,238	70,665

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.

33. OTHER RESERVES

Other reserves in the Consolidated Statement of Changes in Equity is made up of additional paid in capital as detailed in note 32 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 90,637 Kin and Carta plc ordinary shares held by the Company as at 31 July 2019 (2018: 90,637 Kin and Carta plc ordinary shares).
- Share option reserve representing the cumulative charge related to the options granted to the Group's employees over 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 £'000	2018 £'000
Profit/(loss) from continuing operations	**4,265**	(28,153)
Profit from discontinued operations	**–**	3,850
Adjustments for:		
Depreciation of property, plant and equipment	**2,648**	3,905
Share of profit from joint arrangement	**(169)**	(569)
Disbursement from joint arrangement	**–**	876
Impairment losses related to continuing operations	**159**	12,082
Impairment losses related to discontinued operations	**–**	18,833
Amortisation of intangible assets	**6,823**	8,683
Profit on disposal of subsidiaries	**–**	(18,334)
Profit on disposal of property, plant and equipment	**(1,766)**	(1,501)
Share-based payment (credit)/charge	**(650)**	1,274
Settlement of share-based payment	**172**	–
Increase/(decrease) in defined benefits pension scheme obligations	**1,429**	(7,882)
Remeasurement of deferred consideration	**–**	3,094
Charge for contingent consideration required to be treated as remuneration	**2,375**	23,994
Increase in provisions	**491**	1,402
Operating cash inflows before movements in working capital	**15,777**	21,554
(Increase)/decrease in receivables	**(181)**	9,620
Decrease in inventory	**–**	662
Decrease in payables	**(6,856)**	(4,587)
Increase/(decrease) in deferred income	**249**	(1,401)
Cash generated from operations	**8,989**	25,848

Analysis of financing liabilities

	3 August 2018 £'000	Financing cash flow £'000	Non-cash changes Repayment £'000	Non-cash changes Foreign exchange gains £'000	31 July 2019 £'000
Bank loans – current	40,363	–	(40,363)	–	**–**
Bank loans – non-current	–	59,446	–	970	**60,416**
	40,363	59,446	(40,363)	970	**60,416**

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.

35. CAPITAL AND OTHER COMMITMENTS

At 31 July 2019, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2019 Land and buildings £'000	2019 Other £'000	2018 Land and buildings £'000	2018 Other £'000
Within one year	6,584	81	7,378	51
Between one and five years	11,725	30	16,924	58
After five years	11,423	–	10,052	–
	29,732	111	34,354	109

36. 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 78 of the Directors' Remuneration Report.

	2019 '000	2018 '000
Number of options		
Outstanding at the beginning of the period	4,364	3,230
Granted during the period	2,266	2,964
Lapsed during the period	(2,906)	(1,830)
Outstanding at the end of the period	3,724	4,364
Exercisable at the end of the period	–	–
Estimated % of options vesting over next three years	83%	66%

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 (pence)	0.99
Weighted average exercise price	£nil
Expected life	3 years
Expected volatility	29.17%
Risk-free rate	2.00%
Dividend yield	4.00%
Weighted average fair value of the options (pence)	0.88

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 78 of the Directors' Remuneration Report.

A reconciliation of the movement in the share options is shown below:

	Number of options		Weighted average exercise price	
	2019 '000	2018 '000	2019 pence	2018 pence
Outstanding at the beginning of the period	919	1,329	1.18	1.18
Granted during the period	454	–	0.83	–
Lapsed during the period	(722)	(410)	1.18	1.18
Outstanding at the end of the period	651	919	0.94	1.18
Exercisable at the end of the period	–	919	–	1.18
Estimated % of options vesting in the future years	100%	100%		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. SHARE-BASED PAYMENTS continued

The Group recognised a credit of £0.7 million (2018: charge of £1.3 million) relating to equity-settled share-based payments other than in the context of acquisitions. The exercise price of options outstanding at 31 July 2019 ranges between £nil and £1.18.

Share-based contingent consideration required to be treated as remuneration

The Group recognised a share-based credit of £0.7 million (2018: £6.0 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. All options either vested or were exercised during the period as follows:

	Realise Limited 2018 '000	The Health Hive Group Limited 2018 '000	Solstice Consulting LLC 2018 '000	Fripp, Sandeman and Partners Limited 2018 '000
Number of options				
Outstanding at the beginning of the period	273	384	7,058	–
Lapsed during the period	–	–	(2,161)	206
Vested during the period	(273)	(384)	–	–
Exercised during the period	–	–	(4,897)	(206)
Outstanding at the end of the period	–	–	–	–

The App Business Limited

	2019 '000	2018 '000
Number of options		
Outstanding at the beginning of the period	**4,078**	6,984
Lapsed during the period	**–**	(1,299)
Exercised during the period	**(4,078)**	(1,607)
Outstanding at the end of the period	**–**	4,078
Exercisable at the end of the period	**–**	–
Estimated % of options vesting in the future years	**–**	100%

The fair value of the options granted were measured using a Black–Scholes option pricing model. The inputs to the model were:

	2019
Weighted average mid-market share price	**£1.47**
Weighted average exercise price	**£1.18**
Expected life	**3 years**
Expected volatility	**37.19%**
Risk-free rate	**2.00%**
Dividend yield	**5.00%**
Weighted average fair value of the options	**£1.57**

37. 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:

	2019 £'000	2018 £'000
Revenue	**(201)**	265

38. 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 £0.5 million (2018: £0.2 million) from Loop Integration LLC and the Group incurred £6,000 in charges (2018: £19,000) for services received. The Group also received a dividend of £nil (2018: £0.4 million). At the reporting date, Loop Integration LLC owed the Group £93,000 (2018: £8,000) for services rendered and £123,000 (2018: £nil) for a loan balance outstanding.

Aggregate Directors' remuneration

The Group considers the Directors of Kin and Carta plc to be the key management personnel whose remuneration is disclosed in the Directors' Remuneration Report on page 84.

39. RESTATEMENT

Previously, the Group reported certain employee costs of the various businesses under cost of sales. The Group's accounting policy is to include these types of costs within selling costs and, accordingly, the comparatives have been restated to ensure consistency. Additionally, the Group are reporting net revenue and therefore cost of sales are split between project-related costs and cost of service.

	371 days to 3 August 2018		
	Before restatement £'000	Adjustments £'000	Restated £'000
Adjusted results:			
Cost of sales	(105,110)	105,110	–
Project-related costs	–	(28,614)	(28,614)
Cost of service	–	(74,075)	(74,075)
Selling costs	(10,749)	(2,421)	(13,170)
Statutory results:			
Cost of sales	(105,357)	105,357	–
Project-related costs	–	(28,614)	(28,614)
Cost of service	–	(74,322)	(74,322)
Selling costs	(10,749)	(2,421)	(13,170)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

40. NET REVENUE

The Group reports net revenue as the Board believes it to be a more relevant growth metric for the business and more closely aligns with technology consulting peers. It is more relevant because the Group is moving away from project-related media buying and other pass-through costs which skews gross revenue metrics, and is focusing on more DX-related business opportunities that are more indicative of its core business and underlying margin generation.

Net revenue is calculated as revenue less project-related costs as shown on the Consolidated Income Statement.

Project-related costs are comprised primarily of third party pass-through expenses as well as direct third party services attributable to a project. These costs typically include amounts payable to external suppliers where they are engaged, at the Group's discretion, to perform a specific part of the performance obligation under a contract with the client, other than the costs of certain freelance contractors and agency staff.

Cost of service includes the costs of directly employed staff, freelance contractors and agency staff who are engaged in the delivery of performance obligations under client contracts.

41. LIST OF UNDERTAKINGS

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation, the registered office address and the percentage of equity owned is disclosed below, as at 31 July 2019.

Subsidiaries

Unless otherwise stated, the subsidiary undertakings below are wholly owned and the share capital disclosed comprises ordinary shares (or the local equivalent thereof) which are directly or indirectly held by Kin and Carta plc. These undertakings are controlled by the Group and their results are fully consolidated into the Group's financial statements.

As at 31 July 2019, the trading subsidiaries were as follows:

Principal subsidiaries	Note	Place of incorporation	Nature of business
Amaze Limited	a	England and Wales	Digital Transformation
Amaze (Europe) Limited	a	England and Wales	Digital Transformation
Amaze Communication Services Limited	a	England and Wales	Digital Transformation
Branded3 Search Limited	a, k	England and Wales	Digital Transformation
eBee Limited	a	England and Wales	Digital Transformation
Edit Agency Limited	a	England and Wales	Digital Transformation
Fripp, Sandeman and Partners Limited	a	England and Wales	Digital Transformation
Incite Marketing Planning Limited	a, m	England and Wales	Digital Transformation
Incite Marketing Planning Singapore Pte Ltd	b	Singapore	Digital Transformation
Incite New York LLC	c, o	United States of America	Digital Transformation
Kin and Carta Partnerships Limited	a, t	England and Wales	Digital Transformation
Occam DM Limited	a, n	England and Wales	Digital Transformation
Pollen Health Limited	a	England and Wales	Digital Transformation
Pragma Consulting Limited	a	England and Wales	Digital Transformation
Realise Limited	d	Scotland	Digital Transformation
Solstice Consulting LLC	e, o	United States of America	Digital Transformation
Solstice Mobile Argentina Srl	f	Argentina	Digital Transformation
The App Business Limited	a	England and Wales	Digital Transformation
The Health Hive Limited	a	England and Wales	Digital Transformation

41. LIST OF UNDERTAKINGS continued

As at 31 July 2019, the other subsidiaries were as follows:

Other subsidiaries	Note	Place of incorporation
Amaze (Holdings) Limited	a	England and Wales
Amaze Communication Services (Holdings) Limited	a	England and Wales
Amaze Technology Limited	a	England and Wales
Kin + Carta Limited	a	England and Wales
Kin and Carta Advisory Limited	a, q	England and Wales
Kin and Carta Advisory LLC	c, o, r	United States of America
Kin and Carta Belgium SPRL	i	Belgium
Kin and Carta Holdings Limited	a, s	England and Wales
Kin and Carta Illinois LLC	g, o, u	United States of America
Kin and Carta Marketing Services (Delaware) LLC	c, o, v	United States of America
Kin and Carta Marketing Services Limited	a, w	England and Wales
Okana Systems Limited	a, p	England and Wales
Pollen Health (US) LLC	c, o	United States of America
Pragma Holdings Limited	a	England and Wales
Realise Holdings Limited	d	Scotland
Relish Agency Limited	a	England and Wales
Response One Holdings Limited	a, l	England and Wales
Solstice Consulting Argentina LLC	h, o	United States of America
Solstice Consulting Latin America LLC	h, o	United States of America
SouthWest Mailing Limited	a	England and Wales
St Ives Blackburn Limited	a	England and Wales

Non-trading subsidiaries	Note	Place of incorporation
St Ives Burnley Limited	a	England and Wales
St Ives Direct Edenbridge Limited	a	England and Wales
St Ives Direct Leeds Limited	a	England and Wales
St Ives Financial Limited	a	England and Wales
St Ives Marketing Services (Singapore) Pte Ltd	j	Singapore
St Ives Pension Scheme Trustees Limited	a	England and Wales
St Ives Westerham Press Limited	a	England and Wales
The Health Hive (US) LLC	c, o	United States of America
The Health Hive Group Limited	a	England and Wales

Other related undertaking

The related undertaking below is recognised using the equity method of accounting and the membership interest disclosed is held by a subsidiary of the Group.

Other related undertaking	Note	Percentage
Loop Integration LLC	c, o	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

41. LIST OF UNDERTAKINGS continued

Notes

a. Registered office: One Tudor Street, London EC4Y 0AH, United Kingdom
b. Registered office: 36 Armenian Street #04–02, 179934, Singapore
c. Registered office: 200 Bellevue Parkway, Suite 210, Wilmington, Delaware 19809, United States
d. Registered office: Quay House, 142 Commercial Street, Edinburgh EH6 6LB, United Kingdom
e. Registered office: 208 South LaSalle Street, Suite 814, Chicago, Illinois 60604, United States
f. Registered office: Aguirre 1169, Ciudad Autonoma de Buenos Aires, Argentina
g. Registered office: 100 N. LaSalle, Suite 500, Chicago, Illinois 60602, United States
h. Registered office: 160 Greentree Drive, Suite 101, Dover, Delaware 19904, United States
i. Registered office: 1000 Bruxelles, Avenue du Port 86C, Boîte 204, Belgium
j. Registered office: 38 Beach Road, #29–11 South Beach Tower, 189767, Singapore
k. Share classes: Ordinary, A Ordinary, B Ordinary
l. Share classes: A Ordinary, B Ordinary
m. Share classes: A, B, C, D and F Ordinary
n. Share classes: Ordinary, A Preferred Ordinary, B Ordinary, C Ordinary, D Ordinary, Deferred Ordinary
o. Share classes: Membership interest
p. Share classes: Ordinary and A Ordinary
q. On 24 July 2019, Kin and Carta Consulting Limited changed its name to Kin and Carta Advisory Limited
r. On 24 July 2019, Pragma Consulting US LLC changed its name to Kin and Carta Advisory LLC
s. On 8 November 2018, St Ives Holdings Limited changed its name to Kin and Carta Holdings Limited
t. On 19 August 2019, My Bench Limited changed its name to Kin and Carta Partnerships Limited
u. On 23 January 2019, St Ives Illinois LLC changed its name to Kin and Carta Illinois LLC
v. On 23 January 2019, St Ives Marketing Services (Delaware) LLC changed its name to Kin and Carta Marketing Services (Delaware) LLC
w. On 25 September 2018, St Ives Marketing Services Limited changed its name to Kin and Carta Marketing Services Limited

COMPANY BALANCE SHEET

NO. 01552113
REGISTERED IN ENGLAND AND WALES

	Note	31 July 2019 £'000	3 August 2018 £'000
Fixed assets			
Tangible assets	5	**467**	1,159
Intangible assets	6	**458**	198
Investment property	7	**5,106**	4,618
Investments	9	**211,348**	227,821
Retirement benefit surplus	14	**6,665**	1,858
		224,044	235,654
Current assets			
Cash and bank		**1,559**	–
Debtors due within one year	10	**4,736**	7,915
Derivative financial instruments	11	**–**	291
Assets held for sale	8	**–**	5,281
		6,295	13,487
Creditors: amounts falling due within one year			
Bank loans and overdrafts	12	**–**	(66,370)
Trade and other creditors	12	**(15,979)**	(34,097)
Derivative financial instruments	11	**(136)**	(8)
Net current liabilities		**(9,820)**	(86,988)
Total assets less current liabilities		**214,224**	148,666
Creditors: Amounts falling due after more than one year			
Bank loans and overdrafts	12	**(60,416)**	–
Deferred tax	12	**(1,347)**	(1,103)
Provisions	14	**(1,605)**	(1,187)
Net assets		**150,856**	146,376
Capital and reserves			
Share capital	15	**15,343**	15,343
Share premium account	15	**60,237**	60,237
Other reserves	16	**11,048**	17,287
Profit and loss account		**64,228**	53,509
Total equity		**150,856**	146,376

The profit for the financial period for the Company was £0.6 million (2018: loss of £27.2 million).

These financial statements were approved by the Board of Directors on 1 October 2019 and signed on its behalf by

J Schwan
CHIEF EXECUTIVE OFFICER

Chris Kutsor
CHIEF FINANCIAL OFFICER

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Profit and loss account £'000	Total £'000
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 income:									
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
Profit for the period	–	–	–	–	–	–	–	577	577
Other comprehensive income:									
Items that will not be reclassified subsequently to profit or loss									–
Actuarial gain on defined benefits pension scheme	–	–	–	–	–	–	–	6,206	6,206
Tax charge on items taken directly to equity	–	–	–	–	–	–	–	(991)	(991)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,792**	**5,792**
Dividends	–	–	–	–	–	–	–	(2,990)	(2,990)
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	–	–	1,669	–	1,669
Transfer of share-based contingent consideration deemed as remuneration	–	–	128	–	(185)	–	(7,440)	7,909	412
Recognition of share-based payments	–	–	–	–	–	–	(650)	–	(650)
Settlement of share-based payments	–	–	–	–	164	–		8	172
Tax on share-based payments	–	–	–	–	–	–	75	–	75
Balance at 31 July 2019	**15,343**	**60,237**	**9,190**	**1,238**	**(21)**	**(163)**	**804**	**64,228**	**150,856**

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	• 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	• Full exemption
IFRS 13, Fair Value Measurement	• 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	• 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	• Full exemption
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	• Para 30 and 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	• 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

The equivalent disclosures are given in the consolidated financial statements on pages 117 to 162 and notes 1 to 41.

As permitted by section 408(3) of the Companies Act 2006, the income statement of the Company is not presented in this Annual Report. 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 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 has adequate resources to continue in operational existence for the foreseeable future (for a minimum of 12 months from the date of approval of these financial statements). 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 95 and 96.

(a) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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 profit for the financial period for the Company was £0.6 million (2018: loss of £27.2 million).

3. AUDITORS' REMUNERATION

Fees paid to the auditors in respect of their audit of the Company were £178,000 (2018: £185,000).

4. EMPLOYEE INFORMATION

The average monthly number of employees (including Executive Directors) was:

	2019 Number	2018 Number
Administration	51	65

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	4,671	5,151
Social security costs	248	392
Other pension costs	53	88
Share-based payment	–	1,274
	4,972	6,905

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 75 to 94 and form part of these parent Company financial statements. Further details of share-based payments are contained in note 36 to the consolidated financial statements.

5. TANGIBLE ASSETS

	Land and buildings Short leases £'000	Plant and machinery £'000	Asset under construction £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost:					
At 28 July 2017	659	1,956	–	319	2,934
Additions	41	54	656	60	811
Disposals	–	(46)	–	–	(46)
At 3 August 2018	700	1,964	656	379	3,699
Additions	122	35	400	74	631
Disposals	–	(1,326)		(50)	(1,376)
Transfer to software	–	–	(341)	–	(341)
Transfers to investment property	–	–	(715)	–	(715)
At 31 July 2019	822	673	–	403	1,898
Accumulated depreciation and impairment:					
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
Charge	136	62	–	37	235
Disposals	–	(1,299)	–	(45)	(1,344)
At 31 July 2019	**597**	**570**	**–**	**264**	**1,431**
Net book value:					
At 31 July 2019	**225**	**103**	**–**	**139**	**467**
At 3 August 2018	239	157	656	107	1,159

6. INTANGIBLE ASSETS

	Software £'000
Cost:	
At 28 July 2017	2,317
Additions	18
Disposals	(1)
At 3 August 2018	2,334
Additions	141
Disposals	(2,168)
Transfer from assets under construction	341
At 31 July 2019	**648**
Accumulated depreciation and impairment:	
At 28 July 2017	2,012
Charge	125
Disposals	(1)
At 3 August 2018	2,136
Charge	86
Disposals	(2,032)
At 31 July 2019	**190**
Net book value:	
At 31 July 2019	**458**
At 3 August 2018	198

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

7. INVESTMENT PROPERTY

	Investment property £'000
Cost:	
At 28 July 2017	15,219
Disposals	(1,599)
Reclassification to assets held for sale	(6,427)
At 3 August 2018	7,193
Additions	18
Transfer from assets under construction	715
At 31 July 2019	**7,926**
Accumulated depreciation and impairment:	
At 28 July 2017	3,602
Charge	267
Disposals	(148)
Reclassification to assets held for sale	(1,146)
At 3 August 2018	2,575
Charge	245
At 31 July 2019	**2,820**
Net book value:	
At 31 July 2019	**5,106**
At 3 August 2018	4,618

At 31 July 2019, the fair value of investment properties is not materially different from its netbook value of £5.1 million. This was arrived at on the basis of a valuation carried out by CBRE, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

Within investment property, the Company has freehold land with a net book value of £0.2 million (2018: £0.2 million), these assets have not been depreciated.

Rental income of £0.8 million (2018: £1.2 million) in relation to the investment properties have been recorded in the profit and loss account in the current period.

8. ASSETS HELD FOR SALE

As at 3 August 2018 there were assets held for sale of £5.3 million. These were disposed of in the current year; see note 7 of the consolidated financial statements.

9. INVESTMENTS

	Shares in subsidiaries at cost £'000	Loans to subsidiaries £'000	Total £'000
At 4 August 2018	78,840	148,981	227,821
Impairment	(2,459)	–	(2,459)
Loan advances	–	15,517	15,517
Loan repayments	–	(31,188)	(31,188)
Foreign exchange revaluation	–	1,657	1,657
At 31 July 2019	**76,381**	**134,967**	**211,348**

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 41 of the consolidated financial statements.

10. DEBTORS

	2019 £'000	2018 £'000
Within one year		
Amounts owed by Group undertakings	3,365	5,395
Other debtors	62	361
Corporation tax recoverable	–	1,413
Prepayments and accrued income	1,309	746
	4,736	7,915

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets	2019 £'000	2018 £'000
Forward foreign currency contracts	–	291

Derivative financial liabilities	2019 £'000	2018 £'000
Forward foreign currency contracts	136	8

12. CREDITORS

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Bank loans and overdrafts (note 13)	–	66,370
Trade and other creditors:		
Amounts owing to Group undertakings	4,943	5,933
Consideration payable on purchase of subsidiaries	2,000	17,818
Trade creditors	1,101	1,031
Corporation tax payable	1,967	–
Tax and social security	366	888
Other creditors	263	6,490
Accruals and deferred income	5,339	1,937
	15,979	34,097

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Bank loans and overdrafts (note 13)	60,416	–
Deferred tax	1,347	1,103
	61,763	1,103

The net deferred tax liabilities/(assets) provided in the financial statements are as follows:

	2019 £'000	2018 £'000
Capital allowances in excess of depreciation	379	458
Temporary differences on share options	(140)	(178)
Other timing differences	489	507
Provisions	(514)	–
Retirement benefits obligations	1,133	316
	1,347	1,103

The Finance Act 2015 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

13. BORROWINGS AND FINANCE OBLIGATIONS

	2019 £'000	2018 £'000
Amounts falling due within one year		
Bank overdrafts	–	26,007
Bank loans	–	40,363
	–	66,370
Amounts falling due after more than one year		
Bank loans	**60,416**	–

Bank overdrafts and loans

During the year, the Company refinanced its debt and now has access to a multicurrency credit facility and now has access to a multicurrency credit facility of £85 million which is due to expire on 30 November 2022; of this up to £7.5 million can be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.75% and 2.00%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at an average rate of 1.65% over the UK base rate.

As at 31 July 2019, the Group's outstanding loans within this facility were £60.4 million (2018: £40.4 million). The undrawn portion of this facility at 31 July 2019 was £24.6 million (2018: £54.6 million).

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 31 July 2019, the aggregate liability for the Company under this guarantee amounted to £60.4 million (2018: £66.8 million). The aggregate value of overdraft liabilities belonging to these subsidiaries which are guaranteed by the Company amounted to £8.2 million (2018: £Nil).

At 31 July 2019, there was no loan or overdraft secured against the assets of the Company (2018: £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 suppliers and customers of its trading subsidiaries. The maximum aggregate liability under these financial guarantees is £26.7 million (2018: £31.1 million).

14. PROVISIONS

	2019 £'000	2018 £'000
Provision for repairs	**1,060**	420
Provision for reorganisation	**545**	767
	1,605	1,187

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
At 4 August 2018	420	767	1,187
Charge to profit and loss account	640	74	714
Utilisation	–	(296)	(296)
At 31 July 2019	**1,060**	**545**	**1,605**

The provision for repairs at 31 July 2019 relates to the dilapidation of properties, for which the Company is responsible. Provisions held as at 31 July 2019 are estimated to be utilised between financial periods ending 2020 and 2021.

15. RETIREMENT BENEFIT

The provision for reorganisation provision comprises of onerous leases on properties.

	2019 Currency	2018 Currency
Retirement benefit surplus	**6,665**	1,858

The Company participates in both the defined benefit and defined contribution schemes operated by Kin and Carta Group 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 benefit scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures are included in note 28 to the consolidated financial statements.

16. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

All authorised and issued share capital is represented by equity shareholdings. Further information on equity can be found in note 31 of the consolidated financial statements.

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Issued and fully paid:			
At 3 August 2018 and at 31 July 2019	153,426,476	15,343	60,237

All authorised and issued share capital is represented by equity shareholdings. The number of authorised and issued Kin and Carta plc ordinary shares at 1 October 2019 was 153,426,476.

17. OTHER RESERVES

The movements in reserves are disclosed in the Company Statement of Changes in Equity.

At 31 July 2019, the Company held a portfolio of treasury shares consisting of 90,637 Kin and Carta plc ordinary shares.

Details of dividends can be found in note 13 to the consolidated financial statements.

18. OPERATING LEASE COMMITMENTS

At 31 July 2019, the Company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2019 Land and buildings £'000	2019 Other £'000	2018 Land and buildings £'000	2018 Other £'000
Within one year	**414**	**5**	414	10
Between one and five years	**103**	**2**	517	8
	517	**7**	931	18

19. RELATED PARTY TRANSACTIONS

Details on related party transactions can be found in note 38 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

20. STATEMENT OF GUARANTEE

The Company has signed a statement of guarantee in respect of the liabilities of a number of subsidiary companies as at 31 July 2019 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 for the period ended 31 July 2019 by virtue of s479A of that Act:

Company	Company registration number
Amaze (Europe) Limited	6418202
Amaze Communication Services Limited	2051287
Amaze Communication Services (Holdings) Limited	2670935
Branded3 Search Limited	6479012
eBee Limited	6844490
Fripp, Sandeman and Partners Limited	1284879
Kin and Carta Partnerships Limited	09569438
Occam DM Limited	05095081
Pollen Health Limited	7839170
Pragma Consulting Limited	2184185
The Health Hive Limited	6423579
The Health Hive Group Limited	07661730
Amaze (Holdings) Limited	6417738
Amaze Technology Limited	06385430
Kin + Carta Limited	11403627
Kin and Carta Advisory Limited	11442056
Kin and Carta Holdings Limited	00190460
Kin and Carta Marketing Services Limited	08417677
Okana Systems Limited	3877530
Pragma Holdings Limited	190460
Relish Agency Limited	11456907
Response One Holdings Limited	6724581
SouthWest Mailing Limited	05502768
St Ives Blackburn Limited	1396772
St Ives Burnley Limited	5464477
St Ives Direct Edenbridge Limited	00565977
St Ives Direct Leeds Limited	3067683
St Ives Financial Limited	00872411
St Ives Pension Scheme Trustees Limited	02286545
St Ives Westerham Press Limited	483880
Realise Holdings Limited	SC306420

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 investor website at: https://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 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

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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 CALENDAR

FINANCIAL YEAR ENDED 3 AUGUST 2018

Record date for final dividend	23 November 2018
Annual General Meeting 2018	29 November 2018
Payment date for final dividend of 1.30p per ordinary share	17 December 2018

FINANCIAL YEAR ENDED 31 JULY 2019

Half year end	31 January 2019
Announcement of half year results	12 March 2019
Record date for interim dividend	12 April 2019
Payment date for interim dividend of 0.65p per ordinary share	10 May 2019
Financial year end	31 July 2019
Announcement of full year results	2 October 2019
Ex-dividend date	21 November 2019
Record date for proposed final dividend	22 November 2019
Annual General Meeting 2019	5 December 2019
Payment date for proposed final dividend of 1.30p per ordinary share	17 December 2019*

FINANCIAL YEAR ENDING 31 JULY 2020

Half year end	31 January 2020
Announcement of half year results	March 2020
Financial year end	31 July 2020

* If approved by shareholders at the 2019 Annual General Meeting the proposed final dividend will be paid on 17 December 2019.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (the 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').

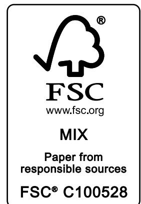
Should you require any further information, please do not hesitate to contact Link Asset Services on 0871 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00 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 + Carta'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.



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