K3 Business Technology Group PLC Annual Report and Financial Statements for the year ended 30 November 2022

Registered number: 02641001

Contents

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Highlights

Financial

2022 data represents 12 months to 30 November 2022 and 2021 data 12 months to 30 November 2021.

Revenue from continuing operations

£47.5m

2021: £45.3m

Recurring or predictable revenue[1]

£37.6m

2021: £33.9m

Adjusted EBITDA[1]

£5.1m

2021: £4.4m

	12 months to 30 November 2022	12 months to 30 November 2021	Change
Revenue from continuing operations	£47.5m	£45.3m	5%
Recurring or predictable revenue[1]	£37.6m	£33.9m	11%
– as a percentage of total revenue	79%	76%	300bps
Gross margin	59.2%	59.3%	(0.1)%
Adjusted EBITDA[1]	£5.1m	£4.4m	16%
Loss before tax from continuing operations, including exceptionals[2]	£(3.8)m	£(7.8)m	£4.0m
Net cash[1]	£7.1m	£9.0m	£(1.9)m
Reported (loss)/gain per share	(9.0)p	8.0p	(17.0)p
Adjusted (loss) per share for continuing operations[1]	(2.6)p	(13.6)p	11.0p

- Revenue increase driven by strong growth in Third-party Solutions division and higher contribution from strategic products in K3 Products division
- Recurring and predictable income now accounts for 79% of Group revenue (2021: 76%)
  - Group Annualised Recurring Contracts ("ARC") at year-end up 11% to £22.9m (2021: £20.7m)
  - Strategic products ARC at year-end up 32% to £5.7m (2021: £4.3m), with the K3 Fashion Enterprise product being up 55%
- Adjusted EBITDA[1] from continuing activities up 16% to £5.1m (2021: £4.4m)
- Healthy net cash of £7.1m (2021: £9.0m), and Group is expected to generate net cash in FY 2023

1 Refer to note 30 for definitions.
2 Exceptionals include an impairment charge of £1.6m (2021: £1.4m) and reorganisation and acquisition costs of £0.70m (2021: £1.5m).

Operational

- K3 Products division – encouraging underlying performance; good progress across our fashion and apparel offering (strategic products) masked by managed run-off of legacy products
  - Divisional revenue decreased by £1.3m to £13.5m (2021: £14.8m); Adjusted EBITDA[1] at £0.7m (2021: £1.1m)
  - Gross profit margin up to 78.3% (2021: 75.3%)
  - Managed run-off of legacy products customer base in line with management expectations
  - Strategic products' ARC up 32% to £5.7m, with new customer wins and existing customers increasing contracted software licences
  - ViJi acquisition is integrating well and has enhanced sustainability offering
  - Largest software licence contract for flagship strategic product (K3 Fashion) signed post period
- Third-party Solutions division – strong growth and highly cash generative
  - Divisional revenue up 11% to £34.0m (2021: £30.5m) and Adjusted EBITDA[1] up 12% to £12.8m (2021: £11.4m)
  - Gross profit margin constant at 51.6%
  - Aggregate ARC growth of 8.4%
  - NexSys software licence and maintenance contract renewals remained high at 98% (2021: 98%)

Prospects

- Encouraging strong start to trading in FY 2023 with good strategic fashion product ARC growth
- Board expects continued improvement across both divisions

Marco Vergani,
Chief Executive Officer of K3 Business Technology Group plc, said:

> *"K3 has made very encouraging progress in its first full year of executing its new growth plan. Against a challenging trading backdrop, we have delivered good growth in revenue, recurring income and profitability, and cash generation is on an upward trend.*
>
> *"Our focus on driving the growth of our strategic fashion products is yielding very encouraging results and we have enhanced our sustainability offering. This is an increasingly important area for the fashion and apparel sector, with legislation also driving the adoption of sustainability solutions. Our Third-party Solutions division grew strongly and continues to generate high cash flows.*
>
> *"The new financial year has started encouragingly, with our largest ever software licence contract for our flagship fashion product. The Board is confident that this progress will continue and expects the Group to become cash generative this year."*

K3 at a Glance

K3 is a leading provider of business-critical software solutions focused on fashion and apparel brands and related large retail brands. The Group's solutions comprise both wholly-authored products and third-party products enriched with K3 software. They provide customers with comprehensive, end-to-end capabilities. The Group operates through two divisions, K3 Products and Third-party Solutions.

The Group has approximately 2,400 customer installations across the UK, Europe, the Far East, and USA.

Customers relationships are typically long, and the Group generates a high level of recurring or predictable income. This arises from annual renewals of software licences and maintenance and support contracts as well as from framework service agreements.

K3 Products

The division's products are outlined below. They are sold directly by K3 sales teams and indirectly via channel partners.

K3 Fashion

K3 Fashion is the Group's 'concept-to-consumer' solution, which is built on Microsoft Dynamics 365 for Finance, Supply Chain and Commerce. It is designed to meet all the needs of fashion and apparel enterprises, and has been endorsed globally by Microsoft as its recommended 'add-on' for the fashion sector. K3 Fashion provides enterprises with the ability to gain insight and control over all their processes and inventory, from planning and design, sourcing raw materials and managing suppliers and manufacturers, to sales, including all channels-to-market, logistics, ordering and the tracking of financial transactions.

K3 Pebblestone

K3 Pebblestone is tailored to the fashion industry and has similar functionalities to K3 Fashion. Built on Microsoft Dynamics Business Central, it is specifically aimed at smaller brands and retailers, and is available in both as an 'on-premises' solution and as a cloud-based SaaS solution.

K3 ViJi

K3 ViJi is a suite of solutions that supports the traceability, certification and sustainability of the fashion supply chain. The suite was brought into the K3 product portfolio in January 2022 through the acquisition of the French-based business, ViJi SAS. It is core to K3's vision of providing solutions that help the fashion and apparel industry to become more environmentally sustainable in tune with consumer concerns.

K3 Imagine

K3 Imagine is a cloud-native, unified commerce 'headless' (i.e. technology agnostic) platform, which enables brands and retailers to run their physical stores and omnichannel business in a seamless way. It includes K3 dataswitch, a real-time orchestration solution, which enables K3 Imagine to synchronise fully with any legacy application and ERP solution. This enables customers to adopt the new software within their pre-existing application environment and legacy systems, thereby benefiting from all the advantages of new technology while reducing the risks and disruption of replacing core IT systems.

K3 Legacy Solutions

The offering includes Retail POS solution, on a combination of cloud and on premise deployments, and some legacy ERP solutions.

Third-party Solutions

The Third-party Solutions division comprises two activities.

Global Accounts

Global Accounts includes the Group's relationship with Inter IKEA Systems B.V. (the owner and franchisor of the IKEA concept) and the Inter IKEA Concept franchisees. K3 supports the development of the core IKEA solution for IKEA franchisees and assists IKEA franchisees with IT infrastructure, integrations and system enhancements, key to the smooth functioning of their IKEA stores and back-office solutions.

NexSys (previously referred to as SYSPRO)

NexSys provides and supports business software solutions for manufacturers and distributors. It is a SYSPRO elite partner in the UK and has over 40 years' experience of delivering innovative ERP solutions. NexSys enables its customers to manage and control business-critical information, and take decisions made on accurate and reliable real-time insights. This helps customers to optimise their financial returns, innovate more easily, and improve their competitive edge.

K3 Products

Strategic fashion & apparel

K3 Fashion

K3 Pebblestone

K3 Imagine

K3 ViJi

Third-party Solutions

NexSys
Powering business growth

IKEA Master Version

Dynamics 365
Business Central

LS Retail

Fashion Retail Market

The demand for digital transformation solutions is large and growing. Companies recognise the significant commercial and financial benefits of solutions that give them the ability to manage their processes more efficiently and provide an integrated, end-to-end view of their customers and sales channels, both instore and digitally. The replacement of old, 'on-premise' legacy systems with more modern, effective and intuitive cloud-based SaaS solutions is a trend that is growing fast. Statista, which provides market and consumer data, estimates that global spending on digital transformation in 2022 reached 1.6 trillion U.S. dollars, and this is forecast to increase to 3.4 trillion dollars by 2026.

In the Group's target market of fashion and apparel, fashion and apparel brands recognise the constraints of on-premise legacy systems and the need to engage digitally with customers, manufacturers and suppliers. McKinsey predicts that fashion companies' investment in technology will double by 2030 to between 3-3.5% of total revenues. In this context, there is a significant market opportunity for K3.

The Group's Microsoft Dynamics-based 'Concept to Consumer' products provide better management of centralised processes and enable customers to replace 'on-premise' legacy systems with cloud-based SaaS solutions. The end result is a more agile and effective organisation, with increased business insight and data security, lower maintenance and operational costs, and an enhanced shopping experience for end-customers. In addition, customers' sustainability ambitions can also be addressed effectively.

K3 Market Position

The Group has a well-established track record in its chosen market segments. It has very strong domain knowledge and a comprehensive understanding of the challenges facing fashion and apparel retailers and related large retail brands. It is therefore well-positioned to help retailers adopt unified commerce strategies and to integrate the management and control of store sales and all forms of digital sales.

K3's focus is on mid-size enterprise clients who wish to be innovative and adopt the latest cloud-based solutions, without the risk of replacing their entire application environment or managing the complexity of integrating and maintaining a high number of different applications and technologies.

Its portfolio of solutions, with its fundamental cloud infrastructure and flexible 'headless' commercial architecture, backed by a strong understanding of market trends and customers' evolving needs, is designed to capitalise on the growth opportunities available.

Case Studies

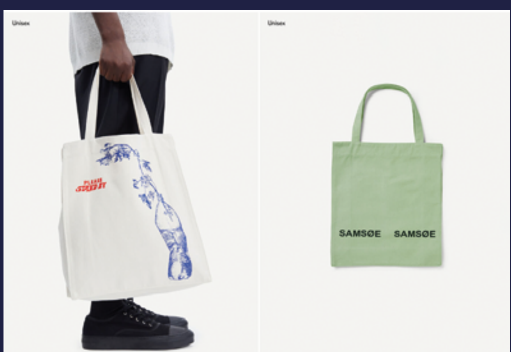
Samsøe Samsøe

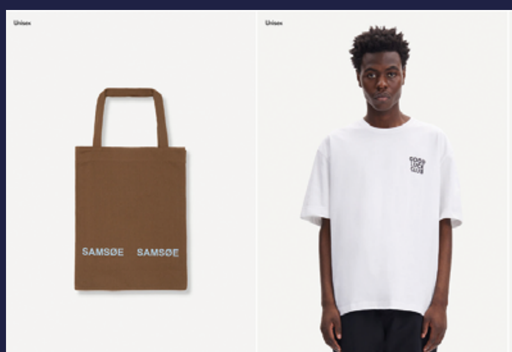
Samsøe Samsøe, established in 1993, is an international clothing brand with roots in Scandinavian streetwear. To better support its mission of championing sustainability and CSR, the business sought a new solution that could trace its raw materials, track its products, and promote its actions to consumers.

While several other solutions were considered, ultimately, Samsøe Samsøe chose K3 ViJi to drive its goals forward due to the solution's seamless integration with its existing ERP system. Resultantly, the business can now collate data efficiently, automate processes, and better collaborate with its supply chain partners.

"I sit on many forums with other sustainability managers across the industry in Denmark, and everyone is amazed when they hear what we are building here with the K3 ViJi team," said Klara Lykke Redderson, Sustainability and CSR Manager at Samsøe Samsøe.

"It is going to set us apart in both terms of risk management but also delivering to the end consumer when it comes to our promises on traceability and transparency."





Kitsuné

Kitsuné, a French-Japanese lifestyle brand founded in 2002, has a long history with Microsoft and K3. It had previously operated solely with K3 Pebblestone on Nav 2009 for several years, though it only used 30% of the solution. In line with its continued growth and plans to expand the business, Kitsuné realised it needed to upgrade its systems to better support its ambitions.

As a 'One Microsoft' customer, using M365, Power BI, and Microsoft Teams, Kitsuné opted to implement D365 Business Central SaaS and adopt several other functionalities from K3 Pebblestone, like the Manufacturing module.

Since transitioning to Business Central and tapping into more of K3 Pebblestone's functionalities, Kitsuné can now holistically manage all its activities, including the business' fashion, music, and café brands.

Perhaps most importantly, not only are the new systems offering Kitsuné day-to-day benefits, but they will also support the business' long-term growth plans.

Össur

Össur, established in 1971, is a global leader in manufacturing effective, non-invasive mobility solutions, like prostheses, orthosis, and braces. Since its inception, the business has experienced significant growth and quickly outgrew its previous system.

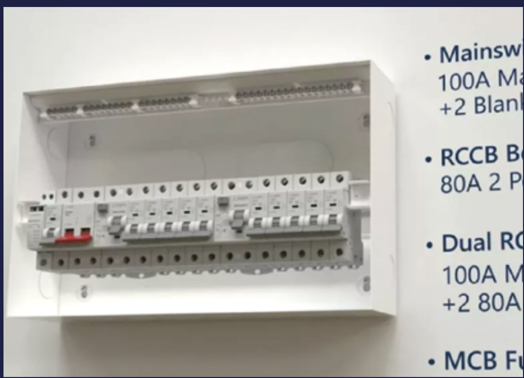
To modernise its operations and grow further, Össur needed a new, cloud-based retail system that was easy to use. While Össur did consider other solutions, K3 Imagine's user-friendly nature and competitive pricing meant that it was the right choice for the business.

After adopting K3 Imagine, Össur is now benefitting from accurate reporting, with improved data, enabling it to have greater visibility over activities within its stores.

"K3 has really been listening to our needs," said Jacob Yngvason, Software Delivery Manager at Össur. "We have been very happy with the knowledge that they have and how they have helped us through these difficulties."

Europa

Europa, established in 1974, is a major electrical components supplier to wholesalers, catalogues and other mainline distributors. After realising that its previous paper-based processes were costing it significant time and resources, Europa sought a new solution that could drastically improve its warehouse management.



The business handles approximately 300 orders per day and is committed to distributing goods on the same day. As such, it needed a reliable ERP system that enabled all areas of the operation to work in an efficient and streamlined manner. While Europa considered other solutions, our presentation and positive customer feedback ultimately proved that K3's solutions were best positioned to push the business forward.

"In choosing SYSPRO, we were looking for a world-class product supplied through a reliable partner who could help develop the system to meet our changing needs," said Sonia Freed, Managing Director at Europa. "The whole warehouse management system now works far more effectively and there's less room for error."

IKEA – Chile

Falabella is a major stores and malls operator with 567 departments stores, supermarkets, regional shopping centres and home improvement centres across Latin America.

Falabella took on the IKEA franchisee for Chile in 2022 as well as other LatAm countries, including Columbia and Peru.

K3 provided the core Microsoft ERP together with implementation services to launch the first site in Chile in August 2022 and the second site in December 2022. K3 was also able to take the global franchisee template, localise it, and work hand in glove with the Falabella team to open the site on time.

"K3 was a collaborative partner and was able to bring their franchisee specific global solution to accelerate our store opening programme," said German Pache.

Chairman's Statement

Overview

In the previous financial year, the Board reviewed market opportunities for the Group and established a new growth plan for the business. This has sharpened our focus on our products for the fashion and apparel sectors. At the same time, we have identified new growth opportunities for our Third-party Solutions business. We also restructured significantly by selling two businesses, reallocated investment and made organisational changes. We therefore started the financial year under review with a strengthened balance sheet, reduced costs and a better focus on our core strengths.

The trading backdrop continued to be challenging, nonetheless I am pleased to report that the Group has made encouraging progress over the year, strategically, financially, and operationally. Revenue from continuing operations is up by 5.0% to £47.5m (2021: £45.3m), with recurring and predictable revenue up 9% to £37.6m (2021: £33.9m). Adjusted EBITDA[1] from continuing activities has increased by 16% to £5.1m (2021: £4.4m). The Group's net cash position at the year-end stood at £7.1m (2021: £9.0m), after making strategic investments. Underlying cash generation improved and this trend is expected to continue.

The Third-party Solutions division continues to generate high levels of recurring and predictable revenue, as well as strong levels of cash, from its large customer base. This includes IKEA Concept franchisees globally and UK manufacturers and distributors. Software licence and support and maintenance contract renewals generated by UK manufacturing customer base, which drive the division's significant cash generation, remained very high at 98% (2021: 98%). The division's gross margin was steady at 51.6% (2021: 51.5%).

The K3 Products division, which includes both our strategic and legacy products, continues to focus on building recurring cash flows. Recurring contracted revenue from our strategic products, which serve the fashion and apparel markets, grew strongly, with the annualised contract value up by 32% to £5.7m year-on-year. This reflected increased uptake of software licences by existing customers and new customer wins. We expect strategic products to continue to grow strongly in the new financial year. At the same time, the division is managing the ongoing decline in the legacy product customer base. This managed run-off mainly accounted for the reduction in the division's revenue, though gross margin increased significantly to 78.3% (2021: 75.3%). The improvement in gross margin reflected increased income from strategic products, price increases and cost reduction. The division's Adjusted EBITDA[1] continued to improve, moving to £0.7m (2021: £1.1m) with significantly less cash spend on capitalised development. The acquisition in January 2022 of ViJi, a software developer with proven sustainability software solutions for fashion retailers, has added valuable new IP in an important area for us. This new IP now operates alongside our fashion products and will be more deeply integrated in 2023.

Financial Results

Total revenue from continuing operations for the 12 months ended 30 November 2022 increased by 5.0% to £47.5m (2021: £45.3m). On a constant currency basis, revenue was up by 6%. Recurring and predictable revenue rose by 11% to £37.6m (2021: £33.9m), and accounted for 79.0% of Group revenue (2021: 76.0%). Third-party Products continued to generate a significant proportion of recurring and predictable revenue at £28.0m (2021: £25.4m). Recurring and predictable income from strategic products (in the K3 Products division) is growing fast, with annualised recurring contracts ("ARC") up 32% to £5.7m.

The Group generated a gross profit for the financial year of £28.1m (2021: £26.8m), and Group gross margin was constant at 59.2% (2021: 59.3%). This reflected the balance of contributions from lower-margin Third-party Products and higher-margin K3 products.

Support/administrative expenses rose to £23.0m (2021: £22.3m), with a further £1.7m of capitalised development costs, reduced by £1.1m as a result of streamlining operations. Adjusted EBITDA[1] from continuing activities rose by 16% to £5.1m (2021: £4.4m), with the main driver being Third-party Solutions gross profit. The loss before tax from continuing activities reduced by £4.0m to £3.8m, (2021: loss of £7.8m) and adjusted loss per share from continuing operations reduced by 10.8p per share to 2.6p (2021: loss of 13.6p).

Net cash at 30 November 2022 stood at £7.1m (2021: £9.0m). This is after ViJi acquisition costs and software and systems investment. Operating cashflow from continuing operations normalised for Government coronavirus support and capital expenditure was £(0.5)m (2021: £(0.7)m).

Growth Strategy

Third-party Solutions contributes significantly to the Group's recurring income and cash flows. The division has a well-established track record in SYSPRO ERP solutions for manufacturers and distributors in the UK, and our objective is to secure higher-value projects and to address adjacent verticals. The Global Accounts business remains a critical partner in the support and ongoing international expansion of the Inter IKEA Concept via its franchisees.

The K3 Products division offers significantly higher-margin growth potential. This reflects the fact that its solutions are based on K3 intellectual property ("IP"). We believe that there are substantial growth prospects for the Group's core strategic fashion products, which offer a powerful set of solutions for fashion and apparel brands. We have further enhanced these products with the introduction of ViJi IP for supply chain traceability, which supports customers' sustainability objectives. Sustainability and environmental considerations have become greater priorities for customers, and EU and national legislation is also driving this trend. However, the area remains underserved, and we believe there is a significant opportunity for us to assist brands in addressing their sustainability issues.

Legacy solutions, which are also part of the K3 Products division, are mostly point-of-sale ("POS") products. Our focus is on providing key accounts with a migration pathway to other K3 products, while managing the ongoing decrease in revenue from these POS solutions.

People

Jonathan Manley, Non-executive Director, retired from the Group at the AGM in May 2022, and we take this opportunity to thank him again for his contribution to K3 during his six years on the Board. In July 2022, we were delighted to appoint Pernille Fabricius, ACA, as Jonathan's successor. She also now heads the Company's Audit Committee.

Pernille has extensive board and senior-level financial and commercial experience across a number of sectors, including IT services. She is currently Chief Financial Officer and Executive Vice President of NNIT A/S, one of Denmark's leading IT and consulting services providers, and Non-executive director of Gabriel Holding A/S, the fabrics manufacturer, and of Brødrene Hartmann A/S, the packaging manufacturer.

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Summary and Outlook

We have made encouraging progress under the new growth plan. Contracted revenue from strategic fashion products is growing strongly and contributing to the overall increase in recurring or predictable income. The new financial year has started well with strategic fashion products significantly expanding software licence income, which further increases ARC growth. Third-party Solutions has a solid order book from existing clients and is focused on margin improvement for new projects and upgrades.

The Group had net cash balances of £7.1m at the financial year-end and the first quarter of the new financial year shows a further material improvement in cash generation. We expects the business to generate net cash in the current financial year.

The Board remains confident that the Group will make further progress over the current financial year and beyond.

T Crawford
Chairman
29 March 2023

Chief Executive Officer's Review

Introduction

Last year's review of Group strategy and addressable markets identified growth opportunities across all core activities. Our Third-party Solutions division is an important engine of recurring income and generates high levels of cash, and we are now focusing on enhancing margins. However, there is even greater scope to drive the quality of the Group's income by leveraging the growth of K3 Products. The opportunities for K3's high-margin products in fashion and apparel brands are extremely attractive, and their growth will drive recurring revenues, profitability and cash flows.

We have made very encouraging progress with our strategy and growth plans although the financial benefits are not yet fully apparent in these results. At the same time, over the course of the financial year, we continued to streamline operations and to invest in our central systems and software products.

Strategic Direction

K3 Products – Focus on Fashion & Apparel

K3 has a well-established track record in the delivery of Enterprise Resource Planning ("ERP") and Point of Sales ("POS") solutions for retail businesses. Our expertise extends across all the core "concept-to-consumer" processes. This includes product design, product manufacturing, and product supply and returns. We also understand the challenges that our customers are contending with, including new regulations, changing consumer behaviour and technological innovation. The adoption of digital technology is driving the need for solutions that support strong supply chain collaboration and smarter, more integrated sales engagement with customers. New products are data-led and cloud-based Software-as-a-Service ("SaaS") solutions.

Our focus is now on capitalising on our existing position and reputation in the fashion and apparel and related large retail markets, which includes brands that are developing their direct-to-consumer routes to market.

'Transforming retail for good' summarises the direction we are taking; that is to provide solutions that support innovation and transformation of core business processes, including in relation to environmental and ethical priorities. The growth areas we are focusing on are:

- **Sustainability** – in particular supply chain traceability, which is now subject to new legislation;
- **Omni-channel and 'unified commerce'** – which encompasses managing effectively both B2B and B2C channels, supporting a unified view of inventory across all channels, as well as creating a seamless shopping experience for consumers as they engage digitally and physically with brands, from the discovery stage to checkout and returns; and
- **Business Insight** – enabling brands to gather actionable intelligence from data collected via our products to optimise inventory, maximise profitability, reduce wastage and inefficiencies, and engage with consumers in a more personalised way.

The addition of ViJi, the sustainability-focused software developer, has extended our existing sustainability offering with products that address supply chain transparency. This is a growth area, which is now subject to increasing regulation and consumer awareness.

Third-party Solutions

NexSys (previously called SYSPRO)

Customers in manufacturing and distribution are embracing digital transformation, smart manufacturing and direct machine integration, and moving away from first-generation, monolithic ERPs or legacy applications, which are often not integrated. This shift provides us with significant growth opportunities, and we are targeting larger-scale projects for customers in growth sectors.

We continue to invest in our relationship with SYSPRO as well as in software development to enrich the SYSPRO offering with our own modules, capabilities and add-ons. We are also strongly focused on customer support and our end-to-end support service remains unrivalled in the marketplace. In the period, we rebranded this operation in order to position our capabilities more effectively.

Global Accounts

The Global Accounts unit includes our relationship with Inter IKEA Systems B.V. (the owner and franchisor of the IKEA concept) and the Inter IKEA Concept franchisees. The backbone of our activity is the development, enhancement and maintenance of the core IKEA solution for franchisees as well as integrations, software customisation and support. This support encompasses the core infrastructure behind IKEA franchisee stores and back-office solutions. We also develop and implement complementary new solutions such as our 'Mobile Goods Flow' and 'Self-ordering Kiosk' applications, to extend the core IKEA solution.

The IKEA Concept and IKEA stores continued to expand rapidly in 2022, with new store openings in Chile, Indonesia, Taiwan and other locations. We maintain a solid backlog of enhancement projects although fewer new IKEA stores are planned in 2023 than in 2022.

Organisational and Operational Changes

We continued to streamline the Group and to strengthen our sales approach. In allocating investment, we have prioritised our strategic partnerships. These include Microsoft and channel partners responsible for reselling our fashion offerings. Our relationship with Microsoft remains close, and K3's inclusion as part of Microsoft Retail Cloud is testimony to the strength of our products in the fashion and apparel sector. Our K3 Fashion product remains Microsoft's recommended 'add-on' solution for the fashion and apparel sector globally.

During the financial year, we invested in enhancing channel partner sales support, and in delivery and customer support as well as in knowledge management practices We have also developed the new sales team in North America, which is an important region for us, working in conjunction with Microsoft.

Review of Performance

K3 Products

K3 Products provides software products and solutions that are powered by our own IP. They comprise:

- strategic products focused on the fashion and apparel markets, including K3 Fashion and K3 Pebblestone, K3 ViJi and K3 Imagine;
- solutions for the visitor attraction market; and
- stand-alone point solutions, which are mainly our legacy point-of-sale ("POS") products.

	2022 £m	2021* £m
Revenue	**13.5**	14.8
Gross profit	**10.5**	11.1
Gross margin (%)	**78.3%**	75.3%
Adjusted EBITDA[1]	**0.7**	1.1

**FY2021 restated to reflect latest segment reporting, in which Revenue and Gross profit from "mobile goods flow" and "make tax digital" are reclassified from K3 Products to Third-party Solutions.*

Divisional revenue decreased by £1.3m to £13.5m (2021: £14.8m). Approximately £1.1m of this reduction reflected continued managed run-off from legacy products, which was in line with management expectations. However, it masks the very good progress made with strategic fashion products, especially K3 Fashion. By the financial year end, the annualised value of recurring revenue (or Annualised Recurring Contracts ("ARC")) from strategic product software licences had increased significantly, driven both by new customer additions and increased software licence sales to existing customers.

ARC is a key measure of our strategic products (including K3 Fashion and K3 Pebblestone, which are focused on the fashion and apparel brands). This metric does not use IFRS15's 'point-in-time' revenue recognition approach to term contracts, but instead recognises revenue over the term of the contract. ARC from our strategic products increased by 32% to £5.7m, with 25% of this driven by existing customers taking up further software licences. Importantly, ARC from our flagship product, K3 Fashion, increased by 55%.

Legacy product managed run-off impacted the division's overall gross profit, which was down by £0.6m to £10.5m. However, gross margin improved significantly to 78.3%, from 75.3% in the prior year. This reflected the change in revenue mix, increased pricing, as well as cost reductions.

A total of £2.1m of major new contracts were secured for K3 Fashion and K3 Pebblestone, with a strong close at the end of the financial year (2021: £3.1m, which included a number of multi-year contracts). The £2.1m of new contracts signed in 2022 were mostly one-year contracts, with typical roll-on and expand significantly, driving growth in ARC. As an illustration, a major new customer signed in 2020 implemented c. £0.02m of software in its first year. Since then, its software contract value has grown more than ten-fold to c. £0.25m per annum. New contracts included eight major new customer wins as well as increased software licence sales to existing customers. The major new customers included a premium outdoor-clothing company, a luxury Swiss watch brand, a leading French youth-fashion brand, a Spanish fashion brand, a large UK clothing & footwear brand and a major Nordics fashion and apparel brand.

We were pleased with the expansion in revenues from existing clients, which demonstrates the continuing success of our 'land and expand' strategy. Typically customers use our fashion products for their centralised functions (including purchasing, catalogue management, and pricing) and then adopt it across the rest of their operations (particularly with increasing use of hand-held devices in distribution centres and stores).

We initiated the migration of our K3 Pebblestone clients from an existing 'on-premises' solution to a new cloud-based version, which is sold on a subscription basis. This migration is underpinned by Microsoft's push to move Dynamics Business Central clients to its cloud versions, and we expect the migration to accelerate in 2023 and beyond.

The principal route to market for K3 Fashion and K3 Pebblestone remains via selected Microsoft business partners. Microsoft's global endorsement of K3 Fashion as its recommended 'add-on' solution for the fashion and apparel vertical continues to underline the quality of our solution. Our channel partner management team is working well with our business partners and will continue to support channel sales, including opportunities for our fashion products in the USA. Given the demand for our fashion solutions, we have further expanded the number of our business partners and created a team of experts to support them in initial engagements and showcase our thought leadership and best practices.

Our solutions for visitor attractions delivered an improved performance. This was driven by a combination of recovery in the UK visitor attractions segment after the coronavirus pandemic, but also the improvements we made to our offering over the last financial year. These included an enhanced reservation engine, improved online ticketing capability, and an upgraded user interface, all of which supported price increases to customers.

In January 2022, we made a strategic purchase of intellectual property, acquiring ViJi, an innovative French software developer. ViJi is wholly focused on enabling fashion retailers trace and authenticate more easily the environmental and social credentials of their supply chains. It has been developed as a fully-scalable software solution, covering the collection, verification and renewal of supplier certifications. It also includes a consumer-facing component, which enables fashion retailers to provide consumers with ethical and environmental information on their products.

ViJi's exciting new products complement our existing offering and have accelerated the development of our sustainability offering, in particular for supply chain transparency. We are in the process of integrating the IP with our fashion products to create a market-exclusive and highly valuable, end-to-end sustainability solution, which covers supply chain transparency, the production of automated ESG reports, compliance documentation and authenticated information on customers' products. We successfully deployed K3 Viji into a select number of customers and are taking advantage of their input to prioritise new development. In parallel, we have created a substantial pipeline of opportunities, which reflects the increasing prioritisation of sustainability issues by customers, accelerated by a number of fast-approaching legislative deadlines and targets in Europe and the USA.

Third-party Solutions

Third-party Solutions comprises NexSys (previously called SYSPRO) and Global Accounts, which both resell Third-party Solutions. These are typically 'on-premise', and revenues are generated from implementation, software licence renewals, and ongoing maintenance and support contracts.

	2022 £m	2021* £m
Revenue	**34.0**	30.5
Gross profit	**17.6**	15.7
Gross margin	**51.6%**	51.5%
Adjusted EBITDA[1]	**12.8**	11.4

**FY2021 restated to reflect latest segment reporting, in which Revenue and Gross profit from "mobile goods flow" and "make tax digital" are reclassified from K3 Products to Third-party Solutions.*

The division performed well, with total revenue increasing by 11% to £34.0m (2021: £30.5m) and Adjusted EBITDA[1] 11% higher at £12.8m (2021: £11.4m). Gross margin remained constant at 51.6% (2021: 51.5%).

Building on last year's progress, NexSys, the new name for our SYSPRO operations, which is focused on business-critical ERP for the UK manufacturing and distribution markets, delivered a good performance, implementing new software installations for new customers and servicing the order book from existing customers. Although a number of prospects delayed their purchasing decisions, against the background of rising energy costs, we won several important new customers. These included, a distributor of diagnostics tools, a well-known brand of home furniture, a leading European manufacturer of axles and suspensions, and the Physics Department of a leading UK university. We therefore entered the new financial year with a good pipeline of projects. We have increased resource to support new business wins and to take advantage of the opportunities ahead.

The NexSys customer base generates strong cash flows from software licence and maintenance and support contract renewals. The majority of renewals takes place in the final quarter of the financial year and remained very high at c.98% (2021: 98%).

Global Accounts, which predominantly provides specialist software services to the Inter IKEA Concept franchisee network, also performed well. Our specialist services teams continued to support the roll-out of IKEA franchisee stores in the Far East and in Central and South America. We added delivery resource during the year, although the shortage of available skilled resource resulted in some cost inflation. We also continued to deliver K3 Product applications into IKEA franchisees, including 'Mobile Goods Flow'. We are focused on gross margin improvement over 2023, which will be helped by an easing of resource pressures and the good backlog of projects with franchisees. Revenue from framework contracts closed the year strongly, up 18% on an annualised basis.

Central Costs

Central Support costs include our central IT, finance, legal, HR, insurance, marketing and PLC costs, which are not allocated to revenue generation. There was a £0.4m increase in Central costs to £8.5m (2021: £8.1m), which reflected our investments in upgrading our internal IT application landscape by adopting and deploying new financial, CRM and customer support systems.

Summary

Over the financial year, we made very encouraging progress in line with our new growth strategy. Our focus on and investment in our strategically important business areas have improved our market position, reinforced our thought leadership in key sectors, and enhanced our ability to drive strategic product growth. Our products are mission-critical and help customers unlock digital innovation thereby improving their ability to compete in the markets they serve. We expect to deliver further growth in the new financial year while also improving Group cash generation.

Marco Vergani
Chief Executive Officer
29 March 2023

Financial Review

Overview

It should be noted that the comparatives for the prior financial year consolidated income statement have been restated. This followed the classification of the certain Group-owned products that are sold exclusively into the Third-party Solutions customer bases being reclassified into the Third-party Solutions segment.

The Group's reported segments are 'K3 Products' and 'Third-party Solutions', with central support costs reported separately, as previously. This aligns segmental reporting with the Group's growth strategy.

The Directors consider the key performance indicators by which they measure the performance of the Group by division to be:

- revenue;
- recurring or predictable revenue[1];
- Group ARC[1];
- strategic products ARC[1];
- gross profit;
- gross margin; and
- adjusted EBITDA[1].

The Group's results for the year end to 30 November 2022, together with comparatives for the same period in 2021, are summarised in the tables below.

Continuing Activities	Revenue 2022 £m	 2021* £m
Revenue	**47.5**	45.3
– recurring or predictable revenue[1]	**22.8**	20.3
ARC – Group	**22.9**	20.7
ARC – Strategic products	**5.7**	4.3
Gross profit	**28.1**	26.8
Gross margin percentage	**59.2%**	59.3%
Underlying support/admin costs	**(24.7)**	(25.2)
Capitalised development costs	**1.7**	2.8
Adjusted EBITDA[1]	**5.1**	4.4

*restated

Overall Group revenue was up 5.0% to £47.5m (2021: £45.3m) being driven by Third-party Solutions. On a constant currency basis, underlying growth was £2.5m higher year-on-year. Third-party Solutions revenue increased by 11.0% to £34.0m (2021: £30.5m). K3 Products revenue was £13.5m (2021: £14.8m), down 9% or £1.3m. This reflected legacy decline of £1.4m, which was in line with expectations. Revenue from K3 Products' strategic products increased by £0.1m to £4.7m, with total deal closure in line with the prior year.

Gross profit mirrored revenue growth and increased by 4.7% to £28.1m (2021: £26.8m). Overall gross margin percentage was unchanged at 59.2% (2021: 59.3%) with K3 Products gross margin percentage increasing to 78.3% (2021: 75.3%). This was driven by an improving mix of higher-margin fashion products, more operational leverage in K3 Imagine and price increases. Third-party Solutions margins remained constant at 51.6% (2021: 51.5%).

Group annualised recurring contracts ("ARC") grew by 11% to £22.9m from £20.6m, driven by strategic products growth of 32% to £5.7m (2021: £4.3m). Within strategic products, ARC for the enterprise product, K3 Fashion, increased by 55%, driven by both new customers and existing customer expansion.

The key metric of adjusted earnings before interest, tax, depreciation, amortisation and exceptional items ("Adjusted EBITDA[1]") increased by 16% to £5.1m (2021: £4.4m), with lower capitalised development costs of £1.7m (2021: £2.8m) meaning that underlying operating margins are expanding.

Administrative Expenses

	2022 £m	2021* £m
Support/administration costs net of capitalised development costs	**23.0**	22.3
Depreciation & amortisation	**5.4**	6.8
Amortisation of acquired intangibles	**0.0**	0.5
Exceptional costs impairment & reorganisation	**2.2**	3.1
Share-based payments	**0.9**	0.4
Total	**31.5**	33.1

**restated*

Support/administration costs net of capitalised development costs[1] increased by £0.8m to £23.0m (2021: £22.3m), which reflected the investment in additional customer-facing staff.

Depreciation and amortisation costs decreased in line with the reduced level of capitalised development in recent years. Exceptional costs in the year related to the impairment of some Retail POS amounting to £1.6m, acquisitions costs and restructuring costs of £0.6m. Exceptional costs in 2021 related to redundancy costs and onerous contracts following the Starcom disposal.

Earnings Per Share

The Group's adjusted loss per share from Continuing operations[1] reduced by 10.8p per share to 2.6p (2021: adjusted[1] loss per share of 13.6p). Reported loss per share was 9.0p (2021: earnings of 8.0p, which included profit from disposals).

Dividends

No dividend will be declared for the year ended 30 November 2022 (2021: nil).

Taxation

The corporation tax charge for the financial year was £0.1m (2021: £0.8m charge). This comprised a charge for current taxation of £0.1m (2021: £0.6m) relating to the non-UK businesses and a charge for deferred taxation of £nil (2021: £0.2m).

Balance Sheet

Overall the Group balance sheet remains robust with net cash balances of £7.1m (2021: £9.0m). The Group has a bank facility with Barclays, its long-standing bankers, which provides for the draw down of up to £3.5m to support seasonal cash movements. At the year-end, £nil was drawn down (2021: £nil). After the financial year end, the Group's facility agreement was extended for a further year, until March 2024.

Goodwill increased to £25.0m (2021: £24.8m) as a result of acquisitions and FX charges. Development costs reduced to £3.4m (2021: £6.6m), reflecting the reduction in capitalised development costs and the impairment of £1.6m. The development cost balance of £3.4m is now heavily weighted, 80% to the strategic vertical of fashion & apparel. Property, plant and equipment decreased to £2.5m (2021: £3.3m) with depreciation exceeding additions.

Current assets increased in Contract Assets driven by multi-year longer term deals and in Trade Debtors with increased Third-party Solution revenues. Trade & Other Payables increased to £16.9m (2021: £14.5m), which reflected deferred income and contingent acquisition consideration and higher year-end commissions. Current leases obligations reduced to £0.8m (2021: £1.6m) following the reduction of the office footprint and car fleet.

Cash Flow

Net cash balances at the year-end stood at £7.1m (2021: £9.0m). The underlying trend of cash generation is improving with an annualised £3.0m cash outflow[1] as at 31 May 2022, reducing to £1.9m as at 30 November 2022 and with further material reduction in Q1 2023 on K3's path to cash generation. Cash outflow[*1] in the financial year amounted to £1.9m, including £0.3m of costs relating to the acquisition of ViJi and £1.0m of investment in upgrading internal systems.

The comparison of cashflow in 2022 and 2021 is distorted by the disposals of the Sage and Starcom business units. The table below normalises the impact of the disposals and also the 2021 Government coronavirus support unwind on cash generated from operations.

	2022 £m	2021 £m
Net cash from operating activities	**2.4**	(0.5)
Total		
– Add back Sage outflows	**–**	0.2
– Add back Starcom inflows	**–**	(1.1)
– Add back Dynamics (inflow)/outflow	**(0.4)**	1.6
Development expenditure capitalised	**(1.7)**	(3.0)
Purchase of property, plant and equipment	**(0.8)**	(0.6)
Government coronavirus tax support paid/(deferred)	**–**	2.7
Operating cash flow from Continuing Activities normalised for Government coronavirus support and capital expenditures	**(0.5)**	(0.7)

Investing Activities included £0.3m for the consideration of the ViJi acquisition in addition to associated deal costs. 2021 Investing Activities included the disposal proceeds of the Starcom and Sage businesses of £13.3m and £1.5m respectively.

Development expenditure capitalised for products was £1.7m (2021: £2.3m) with a further £1.0m invested in internal systems upgrade classified across capitalised development and purchase of property, plant and equipment. Development expenditure capitalised on product for external commercialisation was spread evenly across the core strategic products of K3 Fashion, K3 Pebblestone and K3 ViJi.

Within 2021 Financing Activities, following the high level of Starcom and Sage disposal proceeds, these funds were used to pay down the bank facilities of £6.8m. In addition, 2021 indebtedness was further reduced by the non-cash debt-to-equity conversion of the £3m shareholder loan.

Finance expenses were higher in 2021 due to the charge for the conversion of shareholder loan notes into equity. Repayments of lease liabilities continued to decrease following the reduction of the office footprint and size of the car fleet.

Robert Price
Chief Financial Officer
29 March 2023

ESG Scorecard

Sustainability at K3

K3's mission is to transform retail for good, leading the agenda so that our partners and customers accelerate toward their ethical priorities and responsibilities. Our products enable sustainable practices within retail and the Fashion and Apparel industry including ViJi, a SaaS solution that enables supply chain transparency that was acquired in early 2022.

As advocates who are passionate about enabling sustainable practices in the industry, we have turned this focus within K3 too, with an objective to promote ethical responsibility and sustainable practices across the Group. To reinforce our commitment, K3 will use the BCorp assessment for certification to provide a framework to support our transformation and to track our achievement. Our core internal focus areas for being a sustainable business are People, Environment and Privacy & Security.

People

A crucial priority for K3, is to create a Great Place to Work. In July 2022, K3 announced the appointment of its second female board member, taking our female to male representation on the board to 1/3rd. Female representation is now 40% at a wider leadership level, whilst across the Group we score above average as an employer of women in the tech sector.

When our employees began returning to corporate offices, helping our people get back to work was a significant priority. Recognising how flexible and hybrid working policies promote inclusivity, we embraced a company-wide shift to hybrid working practices by launching a Global Hybrid Working Policy in August 2022 (for all employees in a suitable role). Elements included manager training to ensure equity of experience and the equal and fair career progression of home/hybrid workers (compared to office workers), to prevent proximity bias. To support the home office, we now allocate GBP150 (equivalent) per capita for home office equipment (e.g. a desk or chair, with further available for accessibility needs); this was further supported by the introduction of a digital workspace risk assessment tool. Today, we have teams that work mostly remotely, others work a combination of remotely and in the office, and others work mostly in the office.

With the switch to a global hybrid work environment came the challenge of addressing a sense of belonging and loyalty to K3 as well as equitable and fair representation in an online environment. To manage this we launched global digital placemaking initiatives to engage employees. We introduced a global quarterly digital publication, K3 Group News (in which any employee can be featured); we increased live events and expanded the range participants speaking at those events; we launched a month-long employee knowledge-sharing event called K3 Festival of Knowledge; and increased content on societal issues via internal communications and 'the Hub' approach allowed us to provide diverse peer-to-peer representation. Creating opportunities that allow for broader visibility across gender, nationality, age, and experience is a key driver in our employee engagement strategy.

Furthermore, with 'Transform Retail for Good', as our starting point, we recognise the only way for all of us, to remain relevant, innovative and commercial is to empower our employees by providing access to learning opportunities. As a result, learning is an important cornerstone of our culture and employer value proposition. In September 2022, we launched Learning@K3 our online Learning & Development platform, which focuses on our purpose and the development of our people across the world, through equal development opportunities and flexible access, to enrich our employees skills and knowledge, to stay up to date, and continue growing in their careers.

Employee wellbeing continues to be a key area of focus, as is raising awareness and providing employee training in support of World Mental Health Day, via an introduction to mental health awareness and learning modules on building better mental health.

Environment

With sustainability at the core of our business strategy we recognised the need to review our own practices and impacts on the environment. To mark Earth Day 2022 we committed to planting 500 trees per year to represent each of our employees, with partner Just One Tree. (At the end of 2022, we planted 3,000 more to represent our customers.) We also featured a story on an independent innovative fashion supplier, Inland Sea, who is connecting with academic researchers to create carbon positive clothing. As we undertook the refurbishment of some of our offices, furniture was repurposed to support individuals and community groups. For example, in Nootdorp, office furniture was sent to a community centre to support refugees in the Netherlands. We also introduced a Laptop Recycling Policy, ensuring IT equipment could be repurposed for family use or to support charities. One organisation to benefit from our laptops is Q-Learning Nepal, which provides education to children in rural Nepal.

Energy Scorecard

The below disclosures are made in accordance with Streamlined Energy & Carbon Reporting guidelines. The GHG Protocol Corporate Accounting and Reporting standard and the 2019 UK Government Environmental Reporting Guidelines and we have used the 2021 UK Governments Conversion Factors for Company Reporting.

UK GHG Emissions and Energy Consumption

	2021			2022		
	UK	Netherlands	Total	UK	Netherlands	**Total**
Consumption in metric tonnes CO_2e						
Gas (scope 1)	45.7	8.9	54.6	16.2	8.7	24.9
Electricity (scope 2)	30.5	78.6	109.1	13.2	68.8	82
Employee use of own vehicle (scope 3)	14.11	–	14.11	33.4	–	33.4
Total consumption in metric tonnes CO_2e	**90.31**	**87.5**	**177.81**	**62.8**	**77.5**	**140.3**
Total energy used in kwh	453,826	244,274	698,100	291,987	249,192	541,179
Tonnes CO_2e per £m of turnover	5.8	3.5		3.7	2.8	

We have measured our scope 1 and 2 emissions and included scope 3 emissions related to employee use of their own vehicles, where they claim mileage allowance (grey fleet). Although we are not regulated to include global emissions, to provide a more complete emissions statement, we have reported on our UK and Netherlands operations which account for 77.8 % of our headcount as a voluntary measure.

The energy consumption for serviced offices, which do not have sub-meters, has been calculated using the kWh/m^2 of a similar sized office.

The intensity ratio chosen was tCO_2e per £ million turnover. This was chosen as it was deemed to be the best metric which could be constantly used over time and would best reflect changes in our energy consumption, but also reflect changes in our operations.

The UK energy consumption reduced following the reduction in the office footprint whilst the use of own vehicles increased following the return to travel post pandemic. The Netherlands energy consumption was flat to down and expected to reduce markedly next year following the revamp and decrease of the size of the main Netherland office.

The K3 real estate size has been reduced by 47% and moving to smaller managed serviced offices has seen an overall reduction in energy consumption of 22%, per the Emissions and Energy Consumption table above. The future ways of working will see a continued reduction in office space which encourages flexible working, hotdesking and creative meeting spaces. We anticipate a move toward hybrid working models which will also see further reductions in energy consumption, office consumables and services.

Future office spaces will aim to partner with sustainable building owners holding energy efficiency credentials such as LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment's Environmental Assessment Method) working collaboratively to achieve joint sustainable targets.

K3 has in addition reduced the fleet size by 34%, with the number of electric/hybrid vehicles counting for 23% of the total fleet. The largest impact on lowering emissions for this period was the reduction in business mileage, primarily due to Covid and associated company wide travel restrictions. We have since reviewed our travel policies to focus on reducing travel emissions, both reducing the number of journeys our people make and also looking for less carbon-intensive ways of working. Travelling only where necessary, encouraging both internal and client-facing teams to make better use of technology-based alternatives that support collaborative working from different locations and encourage our people, once they've considered the need to travel, to use our internal systems to book travel, so we can improve our management information, risk management and costs.

Privacy and Security

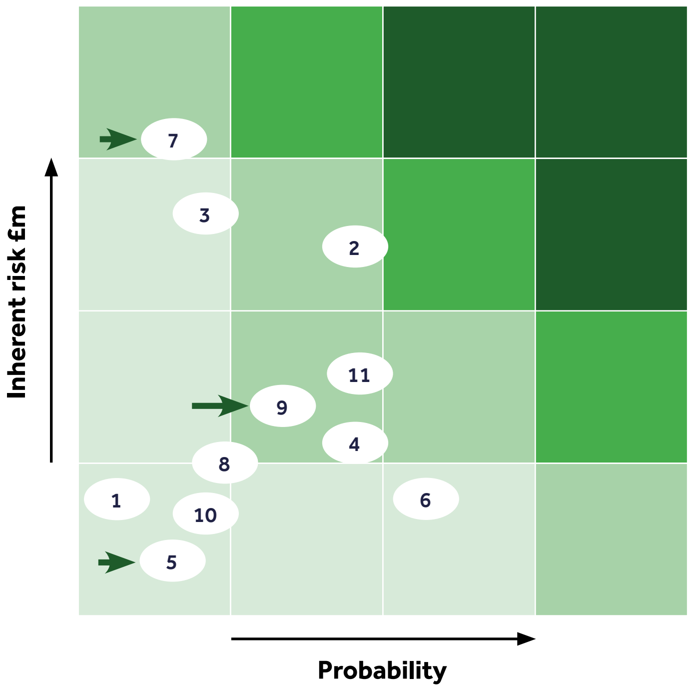
During the year we substantially completed a major systems upgrade, the Unity Programme, and released critical process and tooling improvement to support people and customer interactions and introduce enhancements to our data management policies.

We are upgrading our customer systems access and provide GDPR training to our teams to ensure K3 is both knowledgeable and compliant. In response to digital security concerns, we upgraded our internal team and created a new role of Chief Information Officer.

Risk Management

The Board is responsible for risk management of the Group with the principal business risks which the Group faces categorised as follows:

FY22 Principal risks



1. Liquidity and banking facilities
2. Group strategies and product management
3. Supplier relationships
4. Employees
5. Credit risk
6. Currency risk
7. Customer relationships
8. Cyber security
9. Cost of maintaining legacy products
10. Customer project management
11. Economic conditions

FY22 Risks and mitigation

Description	Mitigation	Change
Liquidity and Banking Facilities The Group has a Bank Facilities Agreement which requires it to meet certain covenants throughout the term of the agreement. The Group's business model, operations and forecasts indicate that the Group will remain within the set parameters.	The Group ensures it has the funds to meet its obligations or commitments under the Facilities Agreement by monitoring cash flow as part of its day-to-day control procedures and that appropriate facilities are available to be drawn upon when the need arises. The Group has re-financed its current Banking arrangements to 31 March 2024 and was net debt free for FY22.	Down
Group Strategies and Product Management The Group has invested a significant amount of funds in its products. The risk is that the Group is unable to commercialise that investment with appropriate market product fit, customer engagement, product stability or pricing.	The Group re-evaluates its market strategy annually and ensures that strategy, technology, pricing, product and business development is market led, and market informed, going forwards with focus on the strategically chosen fashion and apparel vertical. The Group assesses the investment needed for each product at each point in its natural product lifecycle with regard to ROI.	Flat
Supplier Relationships The Group benefits from several close commercial relationships with key suppliers and software partners. Damage to or loss of these relationships could have a direct and detrimental effect on the Group's results. The international nature of the Group also means the supplier base carries a geo-political risk.	The key Group supplier and software partners relationships are secured by commercial agreements and management participate in regular product, service, market and strategy reviews with key suppliers and software partners. Relationships with alternative suppliers are maintained and activity can be diversified and moved.	Up

Description	Mitigation	Change
Employees As a global software house, the Group is committed to attracting and retaining talent across the globe without which we would not be able to operate as effectively. Given increased retention challenges in the employment market more generally and with remote home working, the search for talent has become more global and competitive.	The Group seeks to access global talent and has expanded its talent catchment area with the expansion of the Kuala Lumpur office. Competitive remuneration is offered together with the ability to participate in a bonus scheme. Long-term incentive plans are in place to retain key executive talent and the Group has strong purpose, communication and values that are important to staff.	Flat
Credit Risk The Group's credit risk is primarily attributable to its trade receivables and accrued income. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the Group's leverage, relationships, customer financial position and the current economic environment.	The Group operates a centralised credit management function and assesses credit risk on an individual customer basis and with standardised contract terms. For the Group's SaaS based products, the annual access codes and partner model is considered to structurally reduce the risk by retaining the control over the right to access and use the software. Currently, the Group's larger third party solution customers are generally financially stable and Group has good leverage in that it provides mission critical systems. However, the economic downturn is expected to increase credit risk.	Up

Description	Mitigation	Change
Currency Risk The Group's currency risk is primarily attributable to its trade receivables where certain customers are billed in Euros, and other currencies, which are not the reporting currency of the Group company. Whilst future cash generation is expected to be predominantly in EUR, cash absorption is predominantly in GBP. There is a risk that changes in foreign exchange rates could impact reported results and incur foreign exchange costs.	Where possible currency and exchange risk is hedged by matching off amounts payable in those local currencies. The Group's banking facilities allow for a blend of debt in EUR or GBP. The Group has introduced hedging strategies that have reduced currency exposure.	Down
Customer Relationships The Group has a single customer ecosystem (including franchisees) which accounts for circa 44% of revenue. Damage to this customer relationship, or loss of revenue, would have a significant and detrimental impact on the Group's financial performance.	Although represented by a single ecosystem, the customer, projects, and franchisees are spread across numerous territories, contracts and individual business orders around the world, mitigating the risk by this portfolio effect. The systems supplied by the Group are mission critical for the customer and franchisees.	Flat
Cyber Security There is an increasing growth in cyber terrorism. The Group may be at risk of a successful cyber-attack which could impact the availability of internal systems and data and/or customer systems and data. A successful cyber-attack may also carry the risk of ransom demands and increased costs to recover systems or data.	The Group has dedicated cyber security resource and has a programme of training and IT infrastructure improvement projects. Key security policies and incident response protocols have been established. The Group also has disaster recovery plans and conducts key failover tests on an annual basis.	Flat

Description	Mitigation	Change
Cost of Maintaining Legacy Products There is a risk that some legacy products become increasingly costly to support.	The Group has a programme to manage pricing, customer expectations, transition to new products, retention of key resource and to provide extended support packages as products age.	Up
Customer Project Management The Group implements projects which are customer critical and can be long term. The risk of project failure could impact the Group's reputation and cash collection.	The Group has invested in Service Delivery leadership, new tooling and methods to support project management. Regular project management reporting, with action, is held and the profile of projects continues to reduce in risk as the Group moves to more standardised solutions.	Flat
Economic Conditions Demand for the Group's products may be adversely affected if economic and market conditions are unfavourable. Adverse economic conditions worldwide can contribute to slowdowns in the Information Technology spending environment and may impact the Group's business, resulting in reduced demand for its products as a result of decreased spending by clients and increased price competition for the Group's products.	The Group has high levels of recurring revenue, from business critical systems such as ERP, which provides some resilience against the full effects of market deterioration. Additionally, the Group operates in multiple geographic regions and business sectors.	Flat

Section 172 Statement

The K3 Board considers it has made decisions in a way that, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the factors set out in section 172 of the Companies Act 2006.

The table below sets out some examples of how the Directors have exercised this duty:

Stakeholder	This financial year
Shareholders Continued support from shareholders is crucial to our success. In return for their support, we aim to create value by increasing the performance of the Group and providing sustainable shareholder returns. The Group proactively engages in dialogue with shareholders. The Chief Executive Officer and Chief Financial Officer regularly meet with institutional shareholders and analysts, including after the announcement of full-year and half-year results.	Continued shareholder consultation is embedded within the Board's activities; the views of major shareholders are obtained through direct face-to-face contact and analysts' or brokers' briefings and through the corporate representation of Kestrel Partners on the Board itself. The Group's executive Directors also make presentations to institutional shareholders covering interim and full year results and investor presentations are delivered to enhance investor engagement with management, and to elicit feedback. All shareholders also have the opportunity, formally or informally, to put questions to the Company's AGM. In 2022 the Group has focussed with clear purpose on its strategy of 'transforming retail for good'; bolstered by the acquisition of ViJi SAS which has also complemented the Group's refocused growth strategy and international customer base. The addition of ViJi's solutions through integration into the existing product line is aligned with the Group's core target markets where traceability, transparency, and certification of supply chains are increasingly important priorities – in part driven by emerging legislation like Germany's Supply Chain Act. The Group re-evaluates its market strategy annually and ensures that strategy, technology, product and business development is market led and market informed with focus on the strategically chosen fashion and apparel vertical. The Group assesses the investment needed for each product at each point in its natural product lifecycle with regard to ROI and protection of shareholder value.

Stakeholder	This financial year
Employees K3 recognises the importance of our talented and important teams across the organisation and several initiatives have been put in place throughout the last financial year to improve the employee experience.	As a global software house, the Group is committed to attracting and retaining talent across the globe through competitive renumeration together with the ability to participate in a bonus scheme, long-term incentive plans (for executive talent) as well as a quarterly peer-recognition process. In addition, the Group has strong purpose, communication channels and values that are important to staff. The annual K3 People Survey aims to understand how our people feel about the organisation and identify areas of improvement. 2022 saw the introduction of a number of initiatives arising from the feedback in the 2021 survey aimed at providing a unified employee platform for improving communication and engagement in a global, hybrid-working environment. The initiatives included new senior leadership webinar events, a Group Festival of Knowledge and a quarterly employee magazine. Results of the 2022 People Survey show overwhelmingly the success of these initiatives. 2022 also saw the introduction of a new employee personal development platform and the creation of a dedicated Head of Talent and Learning. The Group also delivered on its largest internal systems refresh under its current leadership team (Project Unity). Our employees are already seeing the benefits of the project which has been focussed on empowering our people through the right tools, automations and processes.

Stakeholder	This financial year
Customers and Business Partners Customer satisfaction is of critical importance to K3. As well as allocating dedicated K3 account managers for the larger relationships, sizeable or complex customer projects also have executive sponsors within the group, where senior managers are appointed to oversee key customer projects; to ensure sufficient customer engagement at the correct level within the K3 Group. The Group also runs customer forums to feedback on, and in to, product roadmap; to ensure strategic product management and development to meet long term customer needs, market trends and requirements. The Group also supplies and deploys its own software solutions through its international network of reselling and implementation partners, which forms an important element of the Group's route-to-market strategy.	The Group carries mindfully the responsibility that comes with the delivery and support of business critical software solutions for its customers. The Group has a dedicated Customer Success team whose focus this financial year has been on listening to the customer base and refinement of useability, enablement, customer configurations for new use cases and development priorities to support customer ROI. The team also commenced a bi-annual NPS survey process to gauge customer temperature across the existing customer base and establish where quick changes and improvements need to be made. In response to customer feedback, the Group is also running a focussed campaign to establish where there are segments of the existing customer base that are suitable candidates for migration from legacy software to the Group's new offerings, for example in migration from K3 Pebblestone on-premise to K3 Pebblestone cloud. In addition, and following customer and market consultation, the Group continues to focus on of the roll out of its sustainability and supply chain traceability solution to supplement its existing powerful set of solutions for the fashion and apparel sectors; helping customers meet new regulatory requirements around sustainability and traceability in supply chains.

Stakeholder	This financial year
Suppliers With part of the Group a reseller of software, including Microsoft and Syspro, K3's relationships with strategic software partners are important to the success of the business.	The Group benefits from several close commercial relationships with key suppliers and software partners with which the management team participate in regular product, service, market and strategy reviews. The Group's Syspro division (now rebranded as NexSys) has been appointed as Syspro's Global Partner of the Year reflecting its extraordinary dedication to the partnership and is regularly involved in acclaimed industry events. The Group's Fashion and Pebblestone division has maintained its position as a member of the Microsoft Inner Circle, which recognises K3 as a leading Microsoft partner. The Group's strategy is complimented by Microsoft Cloud for Retail and Sustainability, embracing the D365 and Power Platform while working to transform the fashion and apparel industry through improvements in supply chain efficiency, agility and sustainability. The Global Accounts division was also awarded Diamond Partner status by LS Retail (the highest grade reflecting extraordinary dedication to the relationship).

Board of Directors

Tom Crawford Non-executive Chairman (age 54)

Tom was appointed Non-executive Chairman on 28 October 2020. He has over 20 years of main market listed small cap software business experience and a successful track record of developing and growing international product-based software businesses. Until January 2020, Tom was Chief Executive Officer of London based Aptitude Software Group Plc, the global financial management software company, having previously led the expansion of the business into North America and Asia Pacific with a dominant position in new market verticals. He is a member of the following committees: (A) Audit Committee (R) Remuneration Committee and (N) Nominations Committee.

Gabrielle Hase Non-executive Director (age 55)

Gabrielle is a senior level specialist in global ecommerce with significant experience in advising on omnichannel growth strategies and digital transformation, in particular for fashion retailers. She is founder director of Soleberry Advisory Limited, which provides digital commerce advisory services to fashion and other consumer retailers, and has worked with leading brands, advising on all aspects of ecommerce, mobile commerce, direct marketing strategy and strategic brand management. Clients have included Sweaty Betty, Browns Fashion, The Fragrance Shop, Moonpig.com, Hobbs, and TK Maxx. She also mentors start-up companies and is a featured speaker at conferences such as Retail Week Live, eCommerce Futures, and eCommerce UK.

Gabrielle is currently a Non-executive Director of: UltraCommerce, a business-to-business ecommerce platform; Tate Enterprises, the commercial division of Tate Galleries; and Planks Clothing, the global skiwear apparel brand. Gabrielle holds an MBA from The Wharton School at The University of Pennsylvania and a BSc in Information Systems from Boston College. She is a member of the following committees: (A) Audit Committee (R) Remuneration Committee and (N) Nominations Committee (chair).

Robert David Price Chief Financial Officer (age 55)

Robert was appointed to the Board on 5 July 2017 having joined the Group as CFO in October 2016. He has more than 20 years' experience in senior finance roles in technology and supply chain and has worked extensively in international markets. He was previously CFO of a pan European fintech start up and prior to that CFO/COO of the private equity backed distributor Enotria Wine Group. Between 2002 and 2008 he was at Carlsberg Breweries, latterly as CFO and Change Management Director of Carlsberg Italy. Robert qualified as a chartered accountant with Ernst & Young and holds an MBA from IMD, Lausanne.

Oliver Scott Non-executive Director (age 55)

Oliver joined the board as a Non-executive Director in February 2020. Oliver is a partner of Kestrel Partners LLP, a business he co-founded in 2009 and which specialises in investing in smaller quoted technology companies. Prior to this, he spent over 20 years advising smaller quoted and unquoted companies, latterly as a Director of KBC Peel Hunt Corporate Finance. Oliver has acted as Kestrel's representative on the Boards of various of its investee companies. He is currently a non-executive Director of ULS Technology PLC and was previously a non-executive Director of IQGeo Group plc, IDOX PLC and KBC Advanced Technologies plc prior to its takeover by Yokogawa. He is a member of the following committees: (A) Audit Committee (R) Remuneration Committee (chair) and (N) Nominations Committee.

Marco Vergani Chief Executive Officer (age 59)

Marco was appointed CEO and elected to the Board on 30 March 2021. Marco has over 30 years' experience in technology, principally in commercial sales, including in the UK, Europe, the Far East, and USA. He has wide sector experience, which includes retail, consumer, and e-commerce. A major part of his career was spent at IBM, the multi-national technology company, where he ran the Retail Store Solutions Division in Europe, Middle East, and Africa prior to joining the IBM Business Process Outsourcing division where he was promoted to Vice President of Sales for Europe. In 2014, he joined Digital River, the US-based global e-commerce, payments, and marketing services company becoming their Senior Vice President, Global Sales and Account Management. More recently, he was Chief Operating Officer at Qubit, the venture capitalist-backed personalisation technology company.

Pernille Fabricius Non-executive Director (age 56)

Pernille was appointed to the board as a non-executive director and chair of the audit committee in July 2022. Pernille has extensive board and senior level financial and commercial experience across a number of sectors, including IT services, and in both internationally listed and private equity backed businesses. She is currently Chief Financial Officer and Executive Vice-president of NNIT A/S, one of Denmark's leading IT and consulting services providers, and a non-executive director of Gabriel Holding A/S, the fabrics manufacturer, and Brødrene Hartmann A/S, a leading packaging manufacturer.

Pernille was previously Managing Director of John Guest Group, a multinational industrial engineering group, which was acquired by Reliance Worldwide Corporation for c£700m, and Group Chief Financial Officer and Chief Operating Officer of TMF Group, the private equity backed, multi-national professional services company, where she oversaw significant M&A and international expansion. Pernille began her career as an accountant at Arthur Andersen in 1988, and holds an MSc. in accounting and an MBA from Copenhagen Business School. She is a member of the following committees: (A) Audit Committee (chair) (R) Remuneration Committee and (N) Nominations Committee.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 November 2022. The corporate governance statement on pages 39 to 43 also forms part of the Directors' report.

Review of Business

The Chairman and Chief Executive's statements on pages 9 to 17 provides a review of the business, the growth strategies, the Group's trading for the year ended 30 November 2022 and an indication of future developments.

Research and Development

During the year, the Group carried out development work of which £1.7m (2021: £2.3m) was capitalised. Development expenditure capitalised on product for external commercialisation was spread evenly across the core strategic products of K3 Fashion, K3 Pebblestone and K3 ViJi.

Result and Dividend

The Group has reported its Consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the United Kingdom.

The Group's results for the year are set out in the Consolidated Income Statement on page 62. The Company has applied FRS 101: Reduced Disclosure Framework to the financial statements for the year ended 30 November 2022.

The directors do not propose a dividend (2021: 0p per share). No interim dividend was paid during either period.

Directors

The directors who served during the year were as follows:

T Crawford	
RD Price	
O Scott	
JP Manley	(resigned 19 May 2022)
M Vergani	
G Hase	
P Fabricius	(from 25 July 2022)

In accordance with the Company's current Articles of Association, P Fabricius will resign and offer herself for re-election at the AGM, and T Crawford retires by rotation and offers himself for re-election.

Also, R Price resigned from the Board with effect from 3 April 2023 and Eric Dodd was appointed to the Board as CFO as from that date. In accordance with the Company's current Articles of Association, Eric Dodd will resign at the next AGM and offer himself for re-election.

Financial Instruments Risks

Details of financial instruments risks are included in note 21 to the financial statements.

Directors' Interest

Directors (who served during the financial year) interests in the company's shares:

	As at 30 November 2022 Number of shares	As at 30 November 2021 Number of shares
T Crawford	**28,112**	28,112
M Vergani	**5,000**	5,000
RD Price	**60,154**	60,154
JP Manley	**47,940**	47,940
O Scott	**11,683,904**	11,143,729
G Hase	**2,500**	2,500
P Fabricius	**nil**	nil

Mr O Scott's interest in shares is by virtue of his position as a partner in Kestrel Partners LLP. Mr JP Manley resigned as a director of the Company on 19 May 2022.

Clients of Kestrel Partners LLP (in which Mr O Scott is a partner) have interests in 600,000 warrants for 25p ordinary shares, exercisable at a price of £0.25 per ordinary share. These warrants were granted in connection with the April 2020 shareholder loans. These shareholder loans were subsequently converted to ordinary shares in the Company in March 2021.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training and facilities are arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through regular web presentations by and newsletters from the Chief Executive Officer and informal discussions between management and other employees at a local level.

Directors' Indemnity Cover

All directors benefit from qualifying third-party indemnity provisions in place during the financial period and at the date of this report.

Going Concern

The Group closely reviews its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group has extended its current Banking Facilities arrangements with its long-term bank, Barclays, for a further three years to 31 March 2024.

The capital structure of the Group has materially changed in the last two years with the disposal of the Starcom and Sage businesses for a combined £16.2m and the conversion of a £3.0m shareholder loans to equity. The Group therefore ended the year ended 30 November 2022 with a Net Cash position of £7.1m.

The Group has prepared a cashflow forecast for a period of at least 12 months from the date of approval of the financial statements which show that the Group will have reasonably significant headroom and be in compliance with covenants. The forecast has undergone sensitivity analysis and stress testing and the Directors have concluded that there is no reasonably worst-case scenario that is likely which would mean the Group would run out of cash or breach covenants.

The Directors therefore have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operation and meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements. For these reasons the financial statements have been prepared on a going concern basis.

Events After The Reporting Date

These are detailed in note 28 to the consolidated financial statements.

Auditors

All the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of the information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The Notice of Annual General Meeting contains a resolution to re-appoint BDO LLP as auditors for the ensuing year.

By order of the Board

T Crawford
Director
29 March 2023

Baltimore House
50 Kansas Avenue
Manchester M50 2GL

Corporate Governance Statement

K3 adopts the Quoted Companies Alliance's (QCA) Corporate Governance Code ("the Code") being, in the view of the Board, the most appropriate recognised corporate governance code having regard to the size and nature of the K3 Group.

As Chairman of the Board, I am responsible for implementing corporate governance at the K3 Group, working with the other members of the Board and the Company Secretary. I chair meetings of the Board and am responsible for ensuring the Board agenda appropriately focuses on the Group's potential, strategy, business model and delivery against its strategic objectives. I am also a member of each Board committee.

We have reviewed and considered where and how we apply each of the ten (10) principles of the Code, and we set out an explanation of this on our website at https://www.k3btg.com/investor-centre/corporate-governance/, and below.

QCA Code Principle	K3 Application
1. Establish a strategy and business model which promote long-term value for shareholders	The Board is responsible for determining the potential and main aims of the Company and agreeing a strategy to achieve those aims. The Board is also responsible for monitoring progress against the Company's strategic and financial goals and for allocating investment or initiating any corrective measures. The strategic report on pages 9 to 33 sets out the Board's strategy and business model to promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations	Continued shareholder consultation is embedded within the Board's activities; the views of major shareholders are obtained through direct face-to-face contact and analysts' or brokers' briefings and through the corporate representation of Kestrel Partners on the Board itself. The Group's executive Directors also make presentations to institutional shareholders covering interim and full year results and investor presentations are delivered to enhance investor engagement with management, and to elicit feedback. All shareholders also have the opportunity, formally or informally, to put questions to the Company's AGM. The Group re-evaluates its market strategy annually and ensures that strategy, technology, product and business development is market led and market informed with focus on the strategically chosen fashion and apparel vertical. The Group assesses the investment needed for each product at each point in its natural product lifecycle with regard to ROI and protection of shareholder value.

QCA Code Principle	K3 Application
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	See Section 172 statement on pages 30 to 33.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board recognises the importance of maintaining an effective system of internal control which is appropriate in relation to the scope, size, nature and risk of the Group's activities. The responsibility for managing risks on a day-to-day basis lies with the CEO and Senior Leadership Team. The principal business risks and the actions to mitigate the risks are included on pages 25 to 29. The key elements which enable the Board to review the effectiveness of the system of internal controls are: • establishment of a formal management structure, including the specification of matters reserved for decision by the Board; • setting and reviewing the strategic objectives of the Group; • Board involvement in the setting and review of the annual business plan; • the regular review of the Group's performance compared with plan and forecasts; • pre and post investment appraisal of K3 product development investment; and • group reporting instructions and procedures including delegation of authority and authorisation levels, segregation of duties and other control procedures, and standardised accounting policies.
5. Maintain the board as a well-functioning, balanced team led by the chair	The Board comprises the non-executive Chairman, two executive directors and three non-executive Directors. Biographical details of the Board are included on pages 34 to 35. The roles of the Chairman and Chief Executive are distinct. All non-executive directors have written terms of appointment and are paid a fixed fee for their office which is not performance or incentive based. The only exception to this is the Chairman's participation in the K3 LTIP, details of which are set out at page 47, but this is not regarded as compromising his independence. The Company currently has three independent non-executive directors (T Crawford, G Hase and P Fabricius), as recommended by the QCA Code. Mr O Scott is a founding partner of another significant shareholder, Kestrel Partners LLP, and, accordingly, Mr O Scott would likely not be regarded as independent in accordance with the Code.

QCA Code Principle	K3 Application
	Notwithstanding this, the Board believes that the interests of each non-executive director are aligned with those of shareholders and that the Board composition is appropriate for the circumstances of the Company.

All directors are subject to election by shareholders at the first opportunity after their appointment. The Articles of Association of the Company require that no fewer than one-third of directors should be subject to re-election at each AGM. Any non-executive director serving over 9 years since first appointment is also subject to re-election at each AGM in accordance with the Company's articles.

Board Meetings and Effectiveness

The Board is supplied with information to enable it to discharge its duties, which includes a regular monthly Board pack including updates from the executive management team and detailed financial information measured against plan or forecast.

The Board is also provided with ad-hoc operational updates, and non-executive directors regularly communicate with executive directors between formal board meetings.

Board Meetings

The Board met on 15 occasions during the financial period. Directors are expected to attend all meetings, and to dedicate sufficient time to the Group's business and affairs to enable them to discharge their duties. Board (and committee) meeting attendance during the financial period was as set out below.

Director	Board (15)	Remuneration (4)	Audit (4)	Nomination (1)
T Crawford	14	4	4	1
JP Manley	6	4	2	1
O Scott	12	4	3	1
RD Price	15	n/a	n/a	n/a
M Vergani	15	n/a	n/a	n/a
G Hase	13	4	4	1
P Fabricius	6	0	2	0

Board Committees

The Board has established three standing sub-committees to assist in the discharge of corporate governance responsibilities. They are the nominations committee, remuneration committee and audit committee. The roles of the committees and their activities are available at https://www.k3btg.com/investor-centre/corporate-governance/.

All four non-executive directors are members of each committee.

QCA Code Principle	K3 Application
6. Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities	The composition of the Board is designed to provide an appropriate balance of Group, industry and general commercial experience and is reviewed as required to ensure that it remains appropriate to the nature of the Group's activities. Biographical details of the Board (including relevant skills and experience) are included on pages 34 to 35. Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The Directors also have access to the Company's Nominated Adviser and Company Secretary, for support in the furtherance of their duties.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board has established an annual process of Board performance review, once per calendar year, the most recent of which was carried out in April and May 2022 when Board changes were initiated. The review process assists the board in identifying any structural, procedural and/or individual development needs by reference to clear objectives and the results will inform improvement activities.
8. Promote a corporate culture that is based on ethical values and behaviours	The Group seeks to carry out its business with the highest standards of integrity, based on sound ethical values, and its corporate culture seeks to reflect this premise. The Board maintains oversight of this through engagement and management reporting, which would, where appropriate, include any material issues relating to corporate culture and integrity and ethics, including any updates to or non-compliance with key internal ethics policies. The Group maintains written policies and procedures concerning a number of areas that impact on its ethical values, and these policies, which are shared with all the Group's staff, underpin some of the ethical elements of the Group's culture. These include detailed policies addressing health and safety, anti-bribery and corruption, whistleblowing, equal opportunities, and anti-harassment. The Group has recently commenced a review of its environmental, social and governance standards and policies, with a view to making improvements where possible. Further updates will be available following completion of this review.

QCA Code Principle	K3 Application
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Board has responsibility for promoting the success of the Company and for the strategic leadership of the Group, with day-to-day management of the business of the Group the responsibility of the executive directors and Senior Leadership Team. The Chairman of the Board is responsible for running the Board, and has overall responsibility for corporate governance, but with the support of the other Directors and the Company Secretary. Shareholder relations are primarily managed by the CEO and CFO. The Board has determined those matters which are retained for Board sanction and those matters which are delegated to the executive management of the business. Day-to-day management of the business is dealt with by the Chief Executive Officer who has a Senior Leadership Team reporting to him. The types of decisions which are to be taken by the Board are: • approval of the financial statements and plans for the Group; • approval of all shareholders' circulars and announcements; • the purchase or sale of any business or subsidiary; • any new borrowings, facilities, and related guarantees; and • any asset purchase or lease hire purchase facility or rental agreement over prescribed authority limits.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company communicates regularly with shareholders, as further described in relation to Code Principle 2 above. The Company maintains RNS details on its website at: http://www.k3btg.com/investor-centre/regulatory-news/. These include notices, as well as results, of the most recent AGM, together with prior years' annual reports.

T Crawford
Chairman
29 March 2023

Remuneration Committee Report

Remuneration Committee Report

Oliver Scott was appointed as Chair of the Remuneration Committee on his appointment as a Director on 14 February 2020. The other members of the committee are Tom Crawford, Gabrielle Hase and Pernille Fabricius. The Committee formally met twice during the financial year.

The Group's remuneration policies and the application of these policies to the Board during the financial year are set out in the sections below.

Remuneration Policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and other key senior staff. The packages are designed to be competitive in value to those offered at similar sized public companies in related sectors. It is the Board's policy to align the long-term interests of Executive Directors with those of our shareholders in the granting of options and other equity awards. The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions and benefits in kind. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. In addition, the Group operates a Long-Term Incentive Plan for Executive Directors and other key senior staff.

The key matters considered and actioned by the Remuneration Committee during the financial period were:

- the award of options under the existing Long-Term Incentive Plan;
- employee bonus pot;
- executive director and senior leadership bonus awards; and
- review and consideration of senior leadership team remuneration.

Directors' Remuneration

Set out below is a summary of the total gross remuneration of directors who served during the financial period to 30 November 2022.

	Fees/ basic salary £	Fees/ basic salary waived £	Taxable benefits £	Bonuses £	Pension contribution £	Total £	Year ended 30 November 2021 £
Chairman							
T Crawford	125,000	–	–	–	–	**125,000**	**125,000**
Executive							
A Valdimarsson	–	–	–	–	–	**–**	**84,750**
M Vergani	286,250	–	1,494	103,219	14,312	**405,275**	**216,562**
RD Price	177,500	–	9,000	52,020	17,750	**256,270**	**227,429**
Non-Executive							
PJ Claesson	–	–	–	–	–	**–**	**19,129**
G Hase	39,167	–	–	–	–	**39,167**	**16,835**
JP Manley*	25,917	–	–	–	–	**25,917**	**51,583**
O Scott	32,500	–	–	–	–	**32,500**	**30,000**
P Fabricius**	14,086	–	–	–	–	**14,086**	**–**
Total emoluments	700,420	–	10,494	155,239	32,062	**898,215**	**771,288**

*JP Manley retired from the Board with effect from 19 May 2022.
**P Fabricius was appointed with effect from 25 July 2022.

Included within the fees/basic salary amount for G Hase was £nil (2021: £9,676) in relation to consultancy services to evaluate the K3 digital strategy.

Included within the fees/basic salary amount for Mr JP Manley was £14,250 (2021: £13,250) in relation to consultancy on the K3 product positioning and development and for management of internal systems.

The executive directors have service contracts providing 6 months' notice.

Directors' Pension Entitlements

The Company makes contributions to defined contribution schemes for Mr RD Price and Mr M Vergani. Pension contributions are capped at 10% of basic salary.

Directors' Share Options

The Group's Long-Term Incentive Plan consists of two types of option award; Market Priced Options and Nominal Priced Options.

Market Priced Options

Market Priced Options may be granted annually subject to the achievement of performance targets set by the Remuneration Committee. The value of any awards granted are intended to be between 50% – 100% of an individual's basic salary. The exercise price of Market Priced Options is determined by the prevailing price of the Company's shares on the day before the date of grant and any vesting conditions are set by the Remuneration Committee at the time of the annual award.

During the financial year, the Remuneration Committee awarded 135,000 Market Priced Options to Mr Vergani and 85,000 Market Priced Options to Mr RD Price (as well as awards to other senior employees). These Market Price Options have an exercise price of 150p. Vesting of the Market Price Options is based on the achievement of certain prescribed levels of annual recurring revenue growth in respect of the Group's strategic product suites (K3 Imagine, K3 Fashion, K3 Pebblestone and K3 ViJi) ("Strategic Products") measured as at 30 November 2024.

In addition, and to ensure consistency between the Group's strategic aims and its incentives, the Remuneration Committee also amended the performance condition for the 240,000 existing Market Price Options issued to broaden the performance metric to cover all of the Group's Strategic Products, and to adjust the testing date to 30 November 2023, from 30 November 2024 (to align with the Group's current remuneration policy for Market Priced Options, having a three year test period).

Nominal Priced Options

Nominal Priced Options are not granted annually, but are granted on an occasional basis at the determination of the Remuneration Committee. The exercise price of Nominal Priced Options is 25p, being nominal value of the Company's shares.

All current Nominal Priced Options granted to date are subject to performance conditions based on the achievement of certain 60 day Volume Weighted Average Price ('VWAP') thresholds of the Company's shares, measured between the third and fourth anniversary of the date of option grant. The 60 day VWAP measurement will be applied to any consecutive 60 trading days during the 12 month testing period.

The performance targets and associated vesting of the Nominal Priced Options are:

- 25% vest at VWAP of 200p;
- 50% vest at VWAP of 225p; and
- 100% vest at VWAP of 250p,

with a straight line vesting between these thresholds.

Subject to meeting the above performance targets, all Nominal Priced Options granted to date may be exercised as follows:

- 50% on or after the fourth anniversary of the date of grant
- 50% on or after the fifth anniversary of the date of grant.

Nominal Priced Options granted to date will remain exercisable until the seventh anniversary of the original date of grant, at which point they will lapse.

During the financial year, no Nominal Priced Options were granted to members of the Board.

Details of All Options Held by the Directors

Details of the options are as follows:

Name of Director	1 December 2021	Granted	Exercised	Lapsed	30 November 2022
RD Price	340,000	85,000	–	–	425,000
T Crawford	350,000	–	–	–	350,000
M Vergani	500,000	135,000	–	–	635,000

Aggregate emoluments do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors.

All options are exercisable at a price of 25p, other than the 220,000 Market Priced Options which were (in aggregate) granted to Mr RD Price and Mr Vergani during the financial year, which are exercisable at 150p.

The market price of the ordinary shares at 30 November 2022 was 127.5p and the range during the year was 179.0p to 115.5p.

There are no options outstanding or held by any of the directors, other than as set out above.

Directors' Warrants

Clients of Kestrel Partners LLP (in which Mr O Scott is a partner) have interests in 600,000 warrants for 25p ordinary shares, exercisable at a price of £0.25 per ordinary share.

Warrants exercisable at 25p held by clients of Kestrel Partners LLP were granted in connection with the April 2020 shareholder loans. These shareholder loans were subsequently converted to ordinary shares in the Company in April 2021.

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the annual report, and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and in accordance with international accounting standard in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 "Reduced Disclosure Framework". 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 for the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with international accounting standard in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Audit Committee Report

Audit Committee Composition

During the financial period, the Audit Committee was chaired by Mr O Scott until the appointment of Mrs P Fabricius on 25 July 2022. Membership included all the non-executive directors. The CEO, CFO and external auditors attend meetings of the Audit Committee by invitation.

Audit Committee Role and Duties

The role of the Audit Committee is to consider the appointment of the auditors, audit fees, scope of audit work and any resultant findings. It reviews external audit activities, monitors compliance with statutory requirements for financial reporting and reviews the interim and full year financial statements before they are presented to the Board for approval. The committee is also required to review the effectiveness of the group's internal control systems.

The Audit Committee considers and determines relevant action in respect of any control issues raised by the auditors. Given the size of the Group and the close day to day control exercised by the Senior Management Team, no formal internal audit department is considered necessary.

The key matters considered and actioned by the Audit Committee during the financial period were:

- review of audit plan and consideration of key audit matters
- review of Annual Report and financial statements
- review and consideration of external audit report and management representation letter
- going concern review
- internal control systems review; and
- audit meeting with external auditor, without management.

External Auditor and Audit Process

The external auditor, BDO LLP, sets out the scope of its audit in an audit plan, which is reviewed and approved in advance by the Committee. Following the audit, the auditor presented its findings to the Audit Committee, and no major areas of concern were highlighted.

The Audit Committee regularly reviews auditor independence, including the provision of any non-audit services by the auditor. The Audit Committee has confirmed its recommendation to re-appoint BDO LLP at the next AGM.

Auditors' Remuneration

Fees for services provided by the auditors have been as follows:

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Audit services		
• Statutory audit of the company	20	17
• Statutory audit of the subsidiaries	210	155
Further assurance services:		
Other services	56	56
	286	228

During the period, the auditors' overseas member firms provided non-audit services in relation to tax advice and company secretarial support to certain overseas subsidiaries. The UK audit firm did not provide any non-audit services. The Board considered the proposed non-audit services in advance to ensure that it was satisfied that neither the nature nor the scale of the non-audit services would impair the auditors' objectivity and independence.

Risk Management and Compliance

The Audit Committee has reviewed both the Company's risk management and internal controls (reference on pages 25 to 29), and the Company's policies on key compliance matters, such as anti-bribery and whistleblowing, and is satisfied that current control systems and policies are operating effectively.

Independent Auditor's Report to the Members of K3 Business Technology Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 November 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of K3 Business Technology Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 November 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company balance sheet, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewed and challenged the going concern paper prepared by the Directors by verifying the numerical inputs, accuracy of the calculations and obtaining evidence to support the Directors' decisions. We performed procedures to check the reasonableness of the forecasts. These procedures included performing inquiries with the management, analytical review of the forecasted numbers, and comparison of actual results vs forecasts where applicable;
- Evaluated the appropriateness of the assumptions utilised by management in assessing the Group and company's ability to continue as a going concern by comparing to previous periods and actual results achieved to date. The key assumptions included assessing the timings of future cash receipts from customers, assessing expected sales growth, headroom of available cash and compliance with covenants;
- We checked compliance with financial covenants, by recalculating the financial figures required to be met as per the terms in the financing agreement, and checking these are in line with the specified covenants; and
- Reviewed the forecasts prepared to 31 March 2024 and stress tests to understand the available headroom. We have challenged the assumptions within the stress test scenarios to understand the headroom impact of reductions in revenue, EBITDA and profit/loss, and any delays in receipts of cash from customers.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	72% (2021: 73%) of Group profit before tax 83% (2021: 83%) of Group revenue 86% (2021: 72%) of Group total assets		
Key audit matters		2022	2021
	Revenue recognition	✓	✓
	Development costs*	x	✓
	Carrying value of Intangibles and Goodwill	✓	✓
Materiality	*Group financial statements as a whole* £474,000 (2021: £386,000) based on 1% (2021: 0.85%) of revenue rounded down to the nearest thousand.		

*We have reconsidered development cost capitalisation in the current year and the time, effort and complexity spent on auditing this area does not represent a Key Audit Matter, given the lower level of development costs capitalised in the year.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on the Group's significant components. In assessing the risk of material misstatement to the Group consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts and transactions in the financial statements, we considered the Parent Company, K3 Business Solutions BV, K3 Syspro Limited and K3 Business Technologies Ireland Limited as the significant components of the Group. The Group audit team performed full scope audit on these significant components.

Other than this, we brought in scope two other non-significant components, K3 Software Solutions BV and K3 Software UK Limited, in order to achieve a higher audit coverage. For K3 Software Solutions BV and K3 Software UK Limited, specified audit procedures were performed by the Group audit team.

The remaining components of the Group were considered insignificant and these components were principally subject to analytical review procedures by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 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.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Revenue recognition Note 1, 2 and 5	The Group has a number of different revenue streams, each of which has a different revenue recognition policy which increases the complexity of the application of the accounting standards. We focused on this area because the recognition of revenue for each component of a sale, when hardware and software and services are sold together under one contract with a customer, requires the application of judgement in the recognition of revenue between the components of the contract, including the appropriate accrual or deferral of revenue when being recognised over time. There is also a risk that cut-off of revenue recognition (and associated cost of sale) towards the year end is incorrect and the appropriate goods or services were not delivered/installed as at 30 November 2022. In view of the judgements required to be made by management in this area we have determined that revenue recognition is a significant risk in the audit and also a key audit matter.	• In order to address the complexity of the application of the accounting standards, we considered and discussed the management prepared memo on how the business has continued to implement IFRS 15 in the year including application to new contracts and revenue streams. We considered the recognition criteria for hardware, software and services components of customer contracts and we considered whether the accounting treatment and recognition timing was in accordance with IFRS 15 for each revenue stream, in order to check the timing and accuracy of the revenue recorded. • We tested a sample of revenue contracts, including all significant new contracts across the Group, to assess whether the revenue had been correctly recognised in line with IFRS 15 and the Group's revenue recognition policy. For each significant new contract in our sample we examined the agreement to understand the contractual obligations, to understand the distinct deliverables within the contract and whether the entities have fulfilled the requirements of the contract and earned the right to consideration. This procedure was performed, in order to check that the revenue from any new contracts has been recorded in line with the agreed treatment as per IFRS 15.

Key Audit Matter		How the scope of our audit addressed the key audit matter
		• We tested a sample of revenue transactions around the year end by agreeing to supporting documentation to assess whether revenue has been recognised in the appropriate accounting period. • We tested a sample of cost of sales balances to assess whether the related revenue has been correctly recognised in the period. • We agreed a sample of deferred and accrued income balances to supporting documentation such as licence delivery, employee timecards and maintenance purchase invoice, to check that these amounts have been recognised in the appropriate period. • We agreed a sample of debtors and accrued income balances to post year end cash, invoice and to evidence of the services having been delivered to check their occurrence. • We tested a sample of revenue recognised in the year across all streams to supporting documentation, being licence delivery details, timecard, as well as cash receipt for services such as support to check their occurrence. • We reviewed revenue streams analytically to understand changes in volume/mix and to target our work in this area further. **Key observations:** We consider the judgements that management have made are appropriate in respect of revenue recognition.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Carrying value of Intangibles and Goodwill Note 1, 15 and 16	Management are required to review the carrying value of goodwill and test it annually for impairment. Management exercise significant judgement in determining the underlying assumptions used in the impairment review; the assumptions include the discount rate used, the allocation of assets to cash generating units (CGU) and the future cash flows attributed to each CGU. We considered this to be a key audit matter due to the significant element of judgement involved in this assessment and the changes in the strategic focus of the business going forward have resulted in substantial impairment charges, in recent periods, against goodwill and intangibles.	• We challenged the calculations prepared by management in the impairment review, by checking the reasonableness and accuracy of key inputs used in the impairment model, including reasonableness of future cashflows, appropriateness of discount rate etc. We considered the consistency of this forecast data with other forecast data used including for Going Concern assessments. • We assessed the triggers for the required impairments and reviewed the strategic decisions made by management during the year in particular arising from the decision in the forecast period to cease investing in certain legacy products. • We consulted with our internal valuation specialists to review the appropriateness of the discount rate applied. • We have assessed the reasonableness of the assumptions underlying management's assessment of goodwill, including the pipeline and cashflow forecasts for each CGU. • We considered whether management's CGUs were appropriate based on the planned future operation of the business. • We compared actual results for year ended 30 November 2022 to the forecast results for FY 2023 and beyond to assess the reasonableness of management's prepared forecasts. • We have performed sensitivity analysis for all CGUs on the discount rate and cashflow forecast. **Key observations:** We consider the assumptions made by management in assessing the carrying value of intangibles and goodwill to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group Financial Statements		Parent Company Financial Statements	
	2022 £	2021 £	2022 £	2021 £
Materiality	474,000	386,000	63,000	200,000
Basis for determining materiality	1% of revenue. Increase reflects the reduced risk profile of the business following changes in both the prior and current year.	0.85% of revenue. Small increase reflects the reduced risk profile of the business following changes in the year.	13% of Group materiality.	52% of Group materiality.
Rationale for the benchmark applied	Revenue is the most stable and relevant measure for the users of the financial statements.	Revenue is the most stable and relevant measure for the users of the financial statements.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.
Performance materiality	331,000	270,000	44,000	140,000
Basis for determining performance materiality	Performance materiality was set at 70%. This has been based on management's attitude to post adjustments in prior years and low level of adjustments raised in prior years.	Performance materiality was set at 70%. This has been based on management's attitude to post adjustments in prior years and low level of adjustments raised in prior years.	Performance materiality was set at 70% This has been based on management's attitude to post adjustments in prior years and low level of adjustments raised in prior years.	Performance materiality was set at 70%. This has been based on management's attitude to post adjustments in prior years and low level of adjustments raised in prior years.

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 9% and 58% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Significant component materiality ranged from £43,000 to £275,000. In the audit of each significant component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £14,200 (2021: £11,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *annual report* other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to the Group and Parent Company and the sector in which it operates. We considered the significant laws and regulations to be the applicable accounting framework, the UK Companies Act 2006, Value Added Tax Act 1994, Income Tax Act 2007 and those that relate to the payment of employees.

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, management bias in accounting estimates and inappropriate revenue recognition. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Testing the reasonableness of assumptions and judgements made by management in their significant accounting estimates, such as depreciation, trade receivables impairment provisioning and impairment of assets including goodwill and intangibles (KAM);
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords and least used accounts;
- Inquiries with management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of Board and Committee minutes; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK
29 March 2023

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

Consolidated Income Statement

for the year ended 30 November 2022

	Notes	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Revenue	2	**47,532**	45,267
Cost of sales		**(19,382)**	(18,432)
Gross profit		**28,150**	26,835
Administrative expenses		**(31,518)**	(33,106)
Impairment losses on financial assets	3	**(102)**	(118)
Adjusted EBITDA	30	**5,064**	4,357
Depreciation and amortisation	13/14/15	**(5,383)**	(6,797)
Amortisation of acquired intangibles	15	**–**	(518)
Exceptional impairment	15	**(1,603)**	(1,421)
Exceptional reorganisation and acquisition costs	3	**(693)**	(1,570)
Share-based payment charge	10	**(855)**	(440)
Loss from operations	3	**(3,470)**	(6,389)
Finance expense	6	**(338)**	(1,433)
Loss before taxation from continuing operations		**(3,808)**	(7,822)
Tax expense	7	**(278)**	(939)
Loss after taxation from continuing operations		**(4,086)**	(8,761)
Profit after taxation from discontinued operations		**108**	12,292
(Loss)/profit for the year		**(3,978)**	3,531

All the (loss)/profit for the year is attributable to equity shareholders of the parent.

Gain/(loss) per share

	Notes	Year ended 30 November 2022	Year ended 30 November 2021
Basic and diluted	9	**(9.0)p**	8.0p
Basic and undiluted from Continuing operations	9	**(9.3)p**	(19.9)p

The notes on pages 67 to 122 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 November 2022

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
(Loss)/profit for the year	**(3,978)**	3,531
Other comprehensive income/(expense)		
Exchange differences on translation of foreign operations	**69**	(1,085)
Other comprehensive income/(loss)	**69**	(1,085)
Total comprehensive (expense)/income for the year	**(3,909)**	2,446

Total comprehensive (expense)/income is attributable to equity holders of the parent.

All the other comprehensive income will be reclassified subsequently to profit or loss when specific conditions are met. None of the items within other comprehensive income/(expense) had a tax impact.

The notes on pages 67 to 122 form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 November 2022

Registered number: 02641001

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,766**	1,551
Right-of-use assets	14	**801**	1,709
Goodwill	15	**25,022**	24,772
Other intangible assets	15	**3,394**	6,648
Deferred tax assets	23	**855**	1,010
Total non-current assets		**31,838**	35,690
Current assets			
Stock		**484**	467
Trade and other receivables	17	**13,549**	10,605
Forward currency contracts	18	**110**	–
Cash and short-term deposits		**7,113**	9,146
Total current assets		**21,256**	20,218
Total assets		**53,094**	55,908
LIABILITIES			
Non-current liabilities			
Lease liabilities	24	**79**	135
Provisions	22	**179**	1,129
Deferred tax liabilities	23	**1,119**	1,288
Total non-current liabilities		**1,377**	2,552
Current liabilities			
Trade and other payables	19	**16,882**	14,456
Current tax liabilities		**372**	509
Lease liabilities	24	**802**	1,623
Borrowings	20	**50**	113
Provisions	22	**968**	854
Total current liabilities		**19,074**	17,555
Total liabilities		**20,451**	20,107
EQUITY			
Share capital	25	**11,183**	11,183
Share premium account		**31,451**	31,451
Other reserves		**11,151**	11,151
Translation reserve		**1,607**	1,538
Accumulated losses		**(22,749)**	(19,522)
Total equity attributable to equity holders of the parent		**32,643**	35,801
Total equity and liabilities		**53,094**	55,908

The financial statements on pages 62 to 122 were approved and authorised for issue by the Board of Directors on 29 March 2023 and were signed on its behalf by:

RD Price
Director

The notes on pages 67 to 122 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 November 2022

	Notes	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Cash flows from operating activities			
(Loss)/profit for the period		**(3,978)**	3,531
Adjustments for:			
Finance expense		**336**	1,448
Tax expense	7	**90**	829
Depreciation of property, plant and equipment	13	**636**	591
Depreciation of right-of-use assets	14	**981**	963
Amortisation of intangible assets and development expenditure	15	**3,767**	5,639
Impairment of intangible assets	15	**1,603**	1,421
Loss on sale of property, plant and equipment		**10**	466
Share-based payments charge	10	**751**	440
(Profit) on disposal of discontinued operations	12	**–**	(11,893)
Net cash flow from provisions		**(717)**	1,558
Net cash flow from trade and other receivables		**(3,037)**	(242)
Net cash flow from trade and other payables		**2,380**	(3,896)
Cash generated from operations		**2,822**	855
Income taxes paid		**(395)**	(1,362)
Net cash from operating activities		**2,427**	(507)
Cash flows from investing activities			
Development expenditure capitalised	15	**(1,725)**	(3,024)
Acquisition of a subsidiary, net of cash acquired	11	**(178)**	–
Proceeds from disposal of operations net of cash balances in disposal unit		**–**	14,763
Purchase of property, plant and equipment	13	**(845)**	(623)
Net cash from investing activities		**(2,748)**	11,116
Cash flows from financing activities			
Proceeds from loans and borrowings		**–**	4,800
Repayment of loans and borrowings		**(111)**	(11,571)
Repayment of lease liabilities		**(1,073)**	(1,187)
Interest paid on lease liabilities		**(132)**	(202)
Finance expense paid		**(150)**	(673)
Net cash from financing activities		**(1,466)**	(8,833)
Net change in cash and cash equivalents		**(1,787)**	1,776
Cash and cash equivalents at start of year	29	**9,033**	7,566
Exchange losses on cash and cash equivalents		**(133)**	(309)
Cash and cash equivalents at end of year	29	**7,113**	9,033

The notes on pages 67 to 122 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 November 2022

	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
At 30 November 2020	**10,737**	**28,897**	**11,151**	**2,623**	**(23,493)**	**29,915**
Changes in equity for year ended						
30 November 2021						
Profit for the year	–	–	–	–	3,531	**3,531**
Other comprehensive loss for the year	–	–	–	(1,085)	–	**(1,085)**
Total comprehensive income/(expense)	–	–	–	(1,085)	3,531	**2,446**
Share-based payment	–	–	–	–	440	**440**
Issue of shares	446	2,554	–	–	–	**3,000**
At 30 November 2021	**11,183**	**31,451**	**11,151**	**1,538**	**(19,522)**	**35,801**
Changes in equity for year ended						
30 November 2022						
Loss for the year	–	–	–	–	(3,978)	**(3,978)**
Other comprehensive income for the year	–	–	–	69	–	**69**
Total comprehensive income/(expense)	–	–	–	69	(3,978)	**(3,909)**
Share-based payment	–	–	–	–	751	**751**
At 30 November 2022	**11,183**	**31,451**	**11,151**	**1,607**	**(22,749)**	**32,643**

Within the Share Capital reserve there are own shares held by a wholly owned subsidiary, K3 Business Technology Group Trustees Company Limited, as trustee of the group's employee share ownership plan. Own shares represent 26,809 (2021: 26,809) shares held under an employee share ownership plan which will be issued to the employees when they choose to withdraw them. The market value of these shares as at 30 November 2022 was £34,181 (2021: £47,050).

The notes on pages 67 to 122 form part of these financial statements.

Notes forming part of the Financial Statements

for the year ended 30 November 2022

1. Accounting policies for the group financial statements

Statement of compliance

These group financial statements have been prepared in accordance with UK endorsed IFRS in conformity with the requirements of the Companies Act 2006 ("IFRS"). The company financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS101"); these are presented on pages 123 to 132.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented unless the Group has exercised any exemptions arising following the adoption of new or revised IFRSs allowing the Group to not restate the comparative information.

The financial statements are presented in Sterling and in round thousands.

Going concern

The Group closely reviews its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group has extended its current Banking Facilities arrangements with its long-term Bank, Barclays, for a further year to 31 March 2024.

The capital structure of the Group has materially changed in the last two years with the disposal of the Starcom and Sage businesses for a combined £16.2m and the conversion of a £3.0m shareholder loans to equity. The Group therefore ended the year ended 30 November 2022 with a Net Cash position of £7.1m.

The Group has prepared cashflow forecast for a period of at least 12 months from the date of approval of the financial statements which show that the Group will have reasonably significant headroom and be in compliance with covenants. The forecast has undergone sensitivity analysis and stress testing and the Directors have concluded that there is no worst-case scenario that is likely which would mean the group would run out of cash or breach covenants.

The Directors therefore have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operation and meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements. For these reasons the financial statements have been prepared on a going concern basis.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Adoption of new and revised standards

New accounting standards, interpretations and amendments have been adopted by the Group

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

New accounting standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 November each year. The company controls an investee if all three of the following elements are present:

- power over the investee
- exposure, or has rights, to variable returns from the investee; and
- the ability of the investor to use its power to affect those returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

1. Accounting policies for the group financial statements continued

Business combinations

All business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Business combinations continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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 above), 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.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Group's subsidiaries or cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit 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 based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or cash-generating unit, the attributable net book value of goodwill is included in the determination of the profit or loss on disposal.

1. Accounting policies for the group financial statements continued

Revenue recognition

The Group contracts for products and services in a variety of contractual forms and deployment methods which impact IFRS 15 revenue recognition. These include:

- Reselling of 3rd party products for which following contracting the Group has no continuing performance obligations for software and the customer controls the software. These are usually perpetual licences with customer on premise installations. Since the Group is reselling these all already functional products, services are unbundled. Customers can also choose to take maintenance and support for these products or indeed obtain services, support, and maintenance from different suppliers.
- K3 bolt on own software IP (Intellectual Property) that adds incremental vertical functionality and bolts onto Microsoft Dynamics products and that is either sold directly to customer or via a channel partner. K3 does not control the software after the contract and issue of access code, which is contemporaneous. There is an ongoing performance obligation to maintain the product to ensure the functionality continues to bolt onto Microsoft Dynamics products.
- K3 own products for which K3 controls and has ongoing performance obligations. These products are typically SaaS (Software as a Service) based subscription products which include a right to access as the customer continuously consumes functionality. The product offer is a typical bundle of software access, maintenance, and support. The contracts typically have a low level of services.

Software licence revenue:

Software licences for 3rd party products are recognised at a point in time, on contract and issue of the initial licence key which is contemporaneous.

K3 bolt on own software IP is recognised at a point in time, on contract and issue of the licence key which is contemporaneous.

K3 own products which is SaaS based is recognised over time and not in software but rather in maintenance and support for the purposes of revenue disaggregation disclosures. Revenue is recognised over time as K3 controls the product, the licence is not distinct, and the customer continually receives benefits.

Services revenues:

Services are linked to implementation and set up of K3 own and 3rd party products, rather than product functionality build. Services are contracted for on a time and materials basis, the customer takes ownership of the work delivered and revenue is recognised as it is performed.

Hardware:

Hardware is peripheral to a number of contract implementations; the revenue is recognised when the customer takes control of the asset on delivery.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Revenue recognition continued

Maintenance and Support:

Maintenance refers to the maintenance of the products and ensuring a right to upgrade whilst Support refers to ongoing customer support including for example help desk access.

3rd party products maintenance is provided by the product's author K3 has no performance obligation and this is sold through K3 for a margin. Revenue is recognised for the term of the contract at a point in time when the contract is signed. Support of 3rd party products is provided by K3 over time over the term of the contract.

K3 bolt on own software IP is typically re-sold via channel partners who provide support. K3 has an ongoing performance obligation for the maintenance of the product and recognises a portion of revenue associated with that over time.

K3 own SaaS / subscription products and usually hosted by K3 and typically a bundled offer of maintenance and support is provided to customers which are both performance obligations for K3 and revenue is recognised over time.

Allocation of transaction price:

Transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract which has yet to be agreed. Any amounts expected to be paid to the customer, such as penalties for late delivery, are deducted from the consideration. Where a transaction price must be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each using either standard list sales prices or an estimated cost methodology.

Leases

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

1. Accounting policies for the group financial statements continued

Leases continued

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements 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 difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group can 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 reporting date and 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Dividends

Dividends are recognised when paid.

1. Accounting policies for the group financial statements continued

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition. As well as the purchase price, cost includes directly attributable costs of bringing the asset into use.

Depreciation is recognised so as to write off, on a straight-line basis over the expected useful economic lives of the asset concerned, the cost of property, plant and equipment, less estimated residual values, which are adjusted, if appropriate, at each reporting date. The principal economic lives used for this purpose are:

- Long leasehold buildings — Period of lease
- Leasehold improvements — Period of lease
- Plant, fixtures and equipment — Three to five years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Provision is made against the carrying value of items of property, plant, and equipment where impairment in value is deemed to have occurred.

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 retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the consolidated income statement. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below). The significant intangibles recognised by the group, their estimated useful economic lives and the methods used to determine the cost of intangibles acquired in business combinations are as follows:

Intangible asset	Estimated useful economic life	Valuation method
Software distribution agreements	5-9 years	Estimated royalty stream if the rights were to be licensed
Contractual and non-contractual customer relationships	5-15 years	Estimated discounted cash flow
Intellectual property rights	6-10 years	Estimated royalty stream if the rights were to be licensed

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the group's software development is recognised only if all the following conditions are met:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the group is able to sell the product
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The expenditure capitalised represents the cost of direct labour and third-party costs incurred in developing the software product.

Capitalised development costs are amortised on a straight-line basis over their useful lives commencing from the date the asset is available for use. During the year given the speed of change in the technology space, the amortisation useful economic life was revised down from 5 to 7 years to 2 to 3 years. The amortisation expense is included within administrative expenses in the consolidated income statement. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting 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 an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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 assessments of the time value of money and the risks specific to the asset 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

1. Accounting policies for the group financial statements continued

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

The Group recognises a loss allowance for expected credit losses 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 always recognises lifetime ECL 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, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Financial assets continued

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

1. Accounting policies for the group financial statements continued

Financial liabilities

All financial liabilities are measured initially at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Provisions continued

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Employee share ownership plans

As the company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purposes of the group accounts. The material assets, liabilities, income, and costs of the K3 Business Technology Group plc Share Incentive Plan are included in the financial statements. Until such time as the group's own shares vest unconditionally with employees, the consideration paid for the shares is deducted in equity shareholders' funds.

Share-based payments

The group issues equity-settled share-based payments to certain employees (i.e., share options). Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a trinomial lattice model. The expected life used in the model has been adjusted, based on the group's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the amount that eventually vest. Market vesting conditions are factored into the fair value of the options and warrants granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. Where group no longer feels that the conditions will be met for the options to vest any charge is subsequently reversed.

Warrants

Warrants issued which will be settled by the Group's own equity, and not by cash or another financial asset, are classified as equity instruments. The warrants are measured at fair value at the date of grant and initially recognised in equity. The fair value determined at the grant date is expensed as a finance costs on a straight-line basis over the term of the loan.

Pension contributions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. The group has no defined benefit arrangements in place.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1. Accounting policies for the group financial statements continued

Foreign currency translation

The presentational currency is sterling.

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are translated at the rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates ruling at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, results of overseas subsidiaries are translated using the average exchange rate for the period. The balance sheets of overseas subsidiaries are translated using the closing period end rate. Exchange differences arising, if any, are taken to a separate component in equity (the translation reserve). Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the translation reserve on consolidation.

Critical accounting estimates and judgements

In applying the Group's accounting policies above the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The directors are of the opinion that there are no significant judgements to be disclosed except those over going concern which are disclosed in detail in the basis of preparation accounting policy in note 1. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit. It also requires judgement as to a suitable discount rate in order to calculate present value, i.e., the directors' current best estimate of the weighted average cost of capital ("WACC"). Other intangibles are assessed annually for impairment as well as when triggers of impairment arise. An impairment review has been performed at the reporting date. More details including carrying values are included in note 16.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

1. Accounting policies for the group financial statements continued

Critical accounting estimates and judgements continued

Capitalised development expenditure and subsequent amortisation

Where such expenditure meets the relevant criteria, the group is required to capitalise development expenditure. In order to assess whether the criteria are met the Board is required to make estimates in relation to likely income generation and financial and technical viability of the relevant development projects and the period over which the group is likely to benefit from such expenditure. Development projects are subject to an investment appraisal process with the product managers to assess the status of the development and the expected commercial opportunities. Development costs are assessed for impairment which requires an estimation of the future expected revenues to be generated from each product. This methodology, which is similar to that used to assess any impairment of goodwill, is discussed further in note 16. Expenditure is only capitalised when the investment appraisal process has assessed that the product is likely to benefit the Group in the future. More details including carrying values are included in note 16.

Calculation of loss allowance

When measuring expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring Expected Credit Losses (ECL). Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the rates on trade receivables more than 90 days past due had been 50 per cent higher as of November 2022, the loss allowance on trade receivables would have been £9k (2021: £16k) higher.

If the ECL rates on trade receivables between 61 and 90 days past due had been 50 per cent higher as of November 2022, the loss allowance on trade receivables would have been £7k (2021: £4k) higher.

Calculation of incremental borrowing rate and lease term in respect of IFRS 16

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's incremental borrowing rate is calculated by reference to borrowing rates applicable to the group's other borrowings/financial liabilities and then adjusted for the specifics of the lease and asset. For every 0.5% increase in the incremental borrowing rate the right-of-use asset and lease liability recognised would increase by approximately £4k, conversely an equivalent reduction in the incremental borrowing rate would decrease the right-of-use asset and liability by approximately £4k.

Lease term is ordinarily calculated by reference to the contractual terms of the group's leases. Management may change their estimates in respect of the term of any lease if the probability of an extension or termination option, within the lease contract, being exercised changes. As a result of any change in estimate of the lease term the group adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss. Further details are provided in note 14.

1. Accounting policies for the group financial statements continued

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate.

2. Revenue

	2022 £'000	2021 £'000
The group's revenue comprises:		
Software licence revenue	**5,642**	6,642
Services revenue*	**18,115**	17,325
Maintenance & support**	**22,816**	19,867
Hardware and other revenue	**959**	1,433
Revenue	**47,532**	45,267

*from installation, integration and software development services.

**from software maintenance renewals, annual term contracts, support contracts and software as a service ("SaaS").

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

3. Loss from operations

	Notes	2022 £'000	2021 £'000
This has been arrived at after charging/(crediting):			
Staff costs	4	**23,673**	25,667
Depreciation of property, plant and equipment	13	**636**	591
Loss on disposal of fixed assets	13	**10**	466
Depreciation of right-of-use assets	14	**981**	963
Amortisation of acquired intangible assets	15	**–**	577
Amortisation of development costs	16	**3,830**	5,062
Exceptional impairment of goodwill and intangibles*	15	**1,603**	1,421
Exceptional reorganisation costs**		**595**	1,570
Acquisition costs		**98**	–
Impairment losses on financial assets		**102**	118
Audit fees:			
– Audit services		**230**	172
– Non-audit services		**56**	56

* The exceptional impairments arise from the value in use assessment as set out in notes 15 and 16.

** During the year the Group continued to achieve operating efficiencies following on from the reorganisation programme of previous years. The total reorganisation costs, predominantly redundancy, were £0.6 million (2021: £1.6 million).

4. Staff costs

	2022 £'000	2021 £'000
Staff costs (including directors) comprise:		
Wages and salaries	**20,039**	21,791
Short-term non-monetary benefits	**81**	64
Defined contribution pension cost	**1,174**	1,315
Employers' national insurance contributions and similar taxes	**2,379**	2,497
	23,673	25,667

In addition share-based payments were charged of £749k (2021: £440k).

Of the above staff costs £1.7 million (2021: £2.3 million) has been capitalised within development costs (see note 15).

The average number of employees in continuing operations during the year was:

	2022 Number	2021 Number
Consultants and programmers	**255**	300
Sales and distribution	**41**	48
Administration	**51**	60
	347	408

4. Staff costs continued

Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the group, including the Directors of the company listed on pages 34 to 35 and the divisional directors.

	2022 £'000	2021 £'000
Key management personnel remuneration consists of:		
Remuneration	**1,248**	1,150
Company contributions to defined contribution pension schemes	**48**	53
Share-based payment expense	**674**	423
Employers' national insurance contributions and similar taxes	**165**	128
	2,135	1,754

Included in the totals above is directors' remuneration:

	2022 £'000	2021 £'000
Directors' remuneration consists of:		
Emoluments	**866**	736
Contributions to personal pension schemes	**32**	35
Total per remuneration report (page 45)	**898**	771
Share-based payment expense	**529**	302
Employers' national insurance contributions and similar taxes	**113**	75
	1,540	1,148

	2022 £'000	2021 £'000
Remuneration in respect of the highest paid director:		
Aggregate emoluments	**391**	210
Pension contributions	**14**	17
	405	227

There were 3 directors in defined contribution pension schemes (2021: 3). Note that the directors' emoluments include amounts attributed to benefits-in-kind on which directors are assessed for tax purposes. This may differ to the cost to the group of providing those benefits included in this note.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

5. Segment information

The group operates a streamlined organisation with management resource and central services focused on working across the group in a more unified manner to increase the strategic focus on the level of our own product sales.

Reporting is based on product split between K3 own products ('K3 Products') and Third-party reseller activities ('Third-party Solutions') across revenue and gross margin. Global Accounts and Third Party Products continue to be merged into Third-party Solutions. Overheads and administrative expenses are included as a central cost given resource works across these three segments. The activities and products and services of the operating segments are detailed in the Strategic Report on pages 13 to 17.

Transactions between operating segments are on an arms-length basis. The CODM (Chief Operating Decision Maker, the Board) primarily assesses the performance of the operating segments based on product revenue, gross margin and group adjusted EBITDA. The segment results for the year ended 30 November 2022 and for the year ended 30 November 2021, reconciled to loss for the year.

5. Segment information continued

		Year ended 30 November 2022			
	Notes	K3 Products £'000	Third-party Solutions £'000	Central Costs £'000	Total £'000
Software licence revenue		2,174	3,468	–	**5,642**
Services revenue		738	17,377	–	**18,115**
Maintenance & support		9,620	13,196	–	**22,816**
Hardware and other revenue		925	34	–	**959**
External revenue		**13,457**	**34,075**	**–**	**47,532**
Cost of sales		(2,920)	(16,462)	–	**(19,382)**
Gross profit		**10,537**	**17,613**	**–**	**28,150**
Gross margin		78.3%	51.7%	–	**59.2%**
Underlying administrative expenses[1]		(11,243)	(4,820)	(8,722)	**(24,785)**
EBITDA before capitalised development costs		**(706)**	**12,793**	**(8,722)**	**3,365**
Capitalised development costs		1,420	47	232	**1,699**
Adjusted EBITDA[1] from continuing operations		**714**	**12,840**	**(8,490)**	**5,064**
Depreciation and amortisation		–	–	(5,383)	**(5,383)**
Amortisation of acquired intangibles		–	–	–	**–**
Exceptional impairment		–	–	(1,603)	**(1,603)**
Exceptional reorganisation costs		–	–	(595)	**(595)**
Acquisition costs		–	–	(98)	**(98)**
Share-based payment charge		–	–	(855)	**(855)**
(Loss)/profit from operations		**714**	**12,840**	**(17,024)**	**(3,470)**
Finance expense		–	–	(338)	**(338)**
(Loss)/profit before tax and discontinued operations		**714**	**12,840**	**(17,362)**	**(3,808)**
Tax expense		–	–	(278)	**(278)**
Profit from discontinued operations	12	–	–	108	**108**
(Loss)/profit for the year		**714**	**12,840**	**(17,532)**	**(3,978)**

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

5. Segment information continued

	Year ended 30 November 2021 (restated*)			
	K3 Products £'000	Third-party Solutions £'000	Central Costs £'000	Total £'000
Software licence revenue	3,309	2,898	–	6,207
Services revenue	1,048	16,283	–	17,331
Maintenance & support	9,091	11,204	–	20,295
Hardware and other revenue	1,331	103	–	1,434
External revenue	14,779	30,488	–	45,267
Cost of sales	(3,660)	(14,772)	–	(18,432)
Gross profit	11,119	15,716	–	26,835
Gross margin	75.2%	51.5%	–	59.3%
Underlying administrative expenses[1]	(12,807)	(4,344)	(8,166)	(25,317)
EBITDA before capitalised development costs	(1,688)	11,372	(8,166)	1,518
Capitalised development costs	2,747	45	47	2,839
Adjusted EBITDA[1] from continuing operations	1,059	11,417	(8,119)	4,357
Depreciation and amortisation	–	–	(6,797)	(6,797)
Amortisation of acquired intangibles	–	–	(518)	(518)
Exceptional impairment	–	–	(1,421)	(1,421)
Exceptional reorganisation costs	–	–	(1,605)	(1,605)
Acquisition gain	–	–	35	35
Share-based payment charge/(credit)	–	–	(440)	(440)
Profit/(loss) from operations	1,059	11,417	(18,865)	(6,389)
Finance expense	–	–	(1,433)	(1,433)
Profit/(loss) before tax and discontinued operations	1,059	11,417	(20,298)	(7,822)
Tax expense	–	–	(939)	(939)
Profit from discontinued operations	–	–	12,292	12,292
Profit/(loss) for the year	1,059	11,417	(8,945)	3,531

**FY2021 restated to reflect latest segment reporting, in which Revenue and Gross profit from "mobile goods flow" and "make tax digital" are reclassified from K3 Products to Third-party Solutions.*

Segment assets and segment liabilities are reviewed by the CODM in a consolidated statement of financial position. Accordingly, this information is replicated in the Group consolidated statement of financial position on page 64. As no measure of assets or liabilities for individual segments is reviewed regularly by the CODM, no disclosure of total assets or liabilities has been made, in accordance with the amendment to paragraph 23 of IFRS 8.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between segments are accounted for at cost.

The Group has one customer relationship which accounts for 46% (2021: 43%) of external Group revenue.

5. Segment information continued

Analysis of the group's external revenues (by customer geography) and non-current assets by geographical location are detailed below:

External revenue by end customer geography

	External revenue		Non-current assets	
	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000	2022 £'000	2021 £'000
United Kingdom	**16,323**	15,648	**21,932**	30,606
Netherlands	**6,434**	7,978	**5,479**	180
Ireland	**631**	1,157	**1,650**	5,941
Rest of Europe	**7,166**	7,575	**2,323**	(1,570)
Middle East	**1,807**	1,887	**–**	–
Asia	**8,882**	7,494	**181**	304
USA	**820**	506	**3**	19
Rest of World	**5,469**	3,022	**–**	–
	47,532	45,267	**31,838**	35,480
% of non-UK revenue	66%	65%		

External revenue by market

2022	UK £'000	Non-UK £'000	Total £'000
Software licence revenue	1,236	4,438	**5,674**
Services revenue	2,679	15,429	**18,108**
Maintenance & support revenue	11,929	10,862	**22,791**
Hardware and other revenue	467	492	**959**
Total	**16,311**	**31,221**	**47,532**

External revenue by business unit geography

2022	Software Licensing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
United Kingdom	1,082	2,983	12,364	454	**16,883**
Netherlands	4,574	14,984	7,853	124	**27,535**
Ireland	(153)	26	430	13	**316**
Rest of Europe	171	88	2,144	367	**2,770**
Rest of World	–	27	–	1	**28**
Total	**5,674**	**18,108**	**22,791**	**959**	**47,532**

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

5. Segment information continued

External revenue by revenue recognition category

2022	Software Licensing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
Goods transferred at a point in time	4,390	10	95	923	**5,418**
Services transferred at a point in time	988	17,606	6,130	–	**24,724**
Services transferred over time	296	492	16,566	36	**17,390**
Total	**5,674**	**18,108**	**22,791**	**959**	**47,532**

Revenue to be recognised in the future, related to agreed performance obligations that are unsatisfied or partially satisfied as at 30 November 2022, was as follows:

	2023 £'000	2024 £'000	Later £'000	Total £'000
Software licence revenue	–	38	–	**38**
Services revenue	15	40	–	**55**
Maintenance & support revenue	3,159	2,981	1,978	**8,118**
Hardware and other revenue	18	220	–	**238**
Total	**3,192**	**3,279**	**1,978**	**8,449**

External revenue by market

2021	UK £'000	Non-UK £'000	Total £'000
Software licence revenue	1,734	4,908	6,642
Services revenue	2,648	14,676	17,324
Maintenance & support revenue	10,664	9,203	19,867
Hardware and other revenue	628	806	1,434
Total	15,674	29,593	45,267

External revenue by business unit geography

2021	Software Licensing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
United Kingdom	1,596	2,783	10,623	627	15,629
Netherlands	4,389	14,149	6,069	57	24,664
Ireland	107	176	569	50	902
Rest of Europe	550	216	2,606	700	4,072
Total	6,642	17,324	19,867	1,434	45,267

5. Segment information continued

External revenue by revenue recognition category

2021	Software Licensing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
Goods transferred at a point in time	6,642	–	–	1,432	8,074
Services transferred at a point in time	–	17,324	9,880	2	27,206
Services transferred over time	–	–	9,987	–	9,987
Total	6,642	17,324	19,867	1,434	45,267

Revenue to be recognised in the future, related to agreed performance obligations that are unsatisfied or partially satisfied as at 30 November 2021, was as follows:

	2022 £'000	2023 £'000	Later £'000	Total £'000
Software licence revenue	328	–	–	328
Services revenue	93	–	–	93
Maintenance & support revenue	4,073	–	–	4,073
Hardware and other revenue	5	–	–	5
Total	4,499	–	–	4,499

Revenue recognised and included within contract assets can be reconciled as follows:

	2022 £'000
At 1 December 2021	**3,077**
Transfers in the period from contract assets to trade receivables	**(3,077)**
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**5,512**
At 30 November 2022	**5,512**

Revenue recognised and included within contract liabilities can be reconciled as follows:

	2022 £'000
At 1 December 2021	**3,364**
Amounts included in contract liabilities that was recognised as revenue during the period	**(3,364)**
Cash received in advance of performance and not recognised as revenue during the period	**5,312**
At 30 November 2022	**5,312**

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

6. Finance income and expense

	2022 £'000	2021 £'000
Finance expense		
Bank borrowings	**82**	105
Interest expense on lease liabilities	**132**	3
Finance charges for warrants	**–**	328
Other finance costs	**124**	997
Net finance expense	**338**	1,433

7. Tax expense/(charge)

	2022 £'000	2021 £'000
Current tax expense/(credit)		
Income tax of overseas operations on profits/(losses) for the period	**203**	676
Adjustment in respect of prior periods	**(100)**	(80)
Total current tax expense	**103**	596
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**9**	233
Effect of changes in tax rate	**10**	–
Adjustments in respect of prior periods	**(32)**	–
Total deferred tax expense/(credit)	**(13)**	233
Total tax expense in the current year	**90**	829
Income tax expense attributable to continuing operations	**278**	939
Income tax (credit) attributable to discontinued operations	**(188)**	(110)
	90	829

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023 and this rate was enacted on 10 June 2021. Deferred tax balances as at 30 November 2022 have been measured at 25%.

7. Tax expense/(charge) continued

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits/(losses) for the year are as follows:

	2022 £'000	%	2021 £'000	%
Loss before taxation from continuing operations	**(3,807)**		(7,822)	
(Loss)/profit before taxation from discontinued operations (note 12)	**(80)**		12,182	
(Loss)/profit before tax	**(3,887)**		4,360	
Expected tax charge/(credit) based on the standard rate of corporation tax	**(739)**	19.0	828	19.0
Effects of:				
Items not deductible for tax purposes	**439**		504	
Non-taxable gain on disposal of shares	**–**		(2,274)	
Income not taxable	**(496)**		–	
Adjustment to tax charge in respect of prior periods	**(132)**		(180)	
Movements in deferred tax not recognised	**1,149**		–	
Differences between overseas tax rates	**(136)**		571	
Group relief not paid for	**–**		154	
Super-deduction	**–**		(11)	
Movements in temporary differences not recognised	**–**		1,184	
Effect of deferred tax rate difference	**5**		53	
Total tax expense in current period	**90**	**2.3**	829	39.4

Deferred tax recognised directly in equity for FY2022 was £nil (2021: £nil). Current tax recognised in equity for FY2022 was £nil (2021: £nil). None of the items within other comprehensive income in the Consolidated Statement of Comprehensive Income have resulted in a tax expense or tax income.

8. Dividends

No dividend in respect of the year ended 30 November 2022 will be proposed (2021: nil).

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

9. (Loss)/earnings per share

The calculations of (loss)/earnings per share are based on the profit/(loss) for the year and the following numbers of shares:

	2022 Number of shares	2021 Number of shares
Denominator		
Weighted average number of shares used in basic and diluted EPS	**44,090,074**	44,090,074

Certain employee options and warrants have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at the end of the year.

	Basic and diluted 2022 £'000	Basic and diluted 2021 £'000
Loss after tax from continuing operations	**(4,086)**	(8,761)
Profit after taxation from discontinued operations	**108**	12,292
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**(3,978)**	3,531

The alternative earnings per share calculations have been computed because the directors consider that they are useful to shareholders and investors. These are based on the following profits/(losses) and the above number of shares.

	Basic and diluted before other items 2022 £'000	Basic and diluted before other items 2021 £'000
Loss after tax from continuing operations	**(4,086)**	(8,761)
Add back other items:		
Amortisation of acquired intangibles	**–**	518
Exceptional reorganisation costs	**595**	1,605
Exceptional impairment costs	**1,603**	1,421
Share-based payment charge	**855**	440
Acquisition costs	**98**	–
Tax charge related to other items	**(202)**	(1,207)
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings from continuing operations before other items	**(1,137)**	(5,984)

	2022 Pence	2021 Pence
Profit/(loss) per share		
Basic and diluted earnings/(loss) per share	**(9.0)**	8.0
Basic and diluted earnings/(loss) per share from continuing operations	**(9.3)**	(19.9)
Basic and diluted earnings/(loss) per share from discontinued operations	**(0.2)**	27.9
Adjusted earnings per share		
Basic and diluted earnings/(loss) per share from continuing operations before other items	**(2.6)**	(13.6)

10. Share-based payments

K3 Business Technology Group plc operates an equity-settled share-based remuneration scheme for employees: the K3 Long-Term Incentive Plan ("LTIP") for certain senior management including executive directors.

Market Priced Options

Market Priced Options may be granted annually subject to the achievement of performance targets set by the Remuneration Committee. The value of any awards granted are intended to be between 50% – 100% of an individual's basic salary. The exercise price of Market Priced Options is determined by the prevailing price of the Company's shares on the day before the date of grant and any vesting conditions are set by the Remuneration Committee at the time of the annual award.

During the financial year, the Remuneration Committee awarded 500,000 Market Priced Options with an exercise price of 150p and 80,000 Market Priced Options with an exercise price of 204p to certain Persons Discharging Managerial Responsibilities ("PDMRs") and employees of the Group. Also, 120,000 Market Priced Options lapsed without being exercised, leaving an aggregate of 660,000 (2021: 200,000) Market Priced Options in issue at the end of the financial year.

The vesting of these 2022 Market Priced Options is subject to the achievement of certain prescribed levels of incremental annual recurring revenue between 1 December 2021 and 30 November 2025 with vesting occurring proportionately as between 25% and 100% of the award. No vesting will be permitted unless the lowest threshold (corresponding to 25% vesting) is achieved.

Subject to meeting the above performance targets, the 2022 Market Priced Options may be exercised following vesting and until the seventh anniversary of the original date of grant, at which point they will lapse.

Nominal Priced Options/LTIP Options

Nominal Priced Options are not granted annually, but are granted on an occasional basis at the determination of the Remuneration Committee. The exercise price of Nominal Priced Options is 25p, being nominal value of the Company's shares.

All current Nominal Priced Options granted to date are subject to performance conditions based on the achievement of certain 60 day Volume Weighted Average Price ('VWAP') thresholds of the Company's shares, measured between the third and fourth anniversary of the date of option grant. The 60 day VWAP measurement will be applied to any consecutive 60 trading days during the 12 month testing period.

The performance targets and associated vesting of the Nominal Priced Options are:

- 25% vest at VWAP of 200p;
- 50% vest at VWAP of 225p; and
- 100% vest at VWAP of 250p,

with a straight line vesting between these thresholds.

Subject to meeting the above performance targets, all Nominal Priced Options granted to date may be exercised as follows:

- 50% on or after the fourth anniversary of the date of grant
- 50% on or after the fifth anniversary of the date of grant.

Nominal Priced Options granted to date will remain exercisable until the seventh anniversary of the original date of grant, at which point they will lapse.

During the financial year, 350,000 Nominal Priced Options were granted and 850,000 lapsed without being exercised, leaving an aggregate of 1,675,000 (2021: 2,175,000) Nominal Priced Options in issue at the end of the financial year.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

10. Share-based payments continued

SAYE

As at 30 November 2022, all options granted under the Group's Save As You Earn ("SAYE") scheme for employees had lapsed without being exercised.

	2022 Weighted average exercise price Pence	2022 Options Number	2021 Weighted average exercise price Pence	2021 Options Number
Outstanding at beginning of the year	**40.1**	**2,375,000**	25.0	1,829,539
Granted during the year	**107.6**	**930,000**	72.7	750,000
Lapsed during the year	**47.1**	**(970,000)**	57.7	(204,539)
Outstanding at the end of the year	**64.0**	**2,335,000**	40.1	2,375,000

Of the above share options outstanding at the end of the year nil (2021: nil) are exercisable at 30 November 2022. No options had vested or were exercisable at the end of either period. The options outstanding at 30 November 2022 had a weighted average price of LTIP: 25p, Market Priced Options: 204p, Market Priced Options: 150p, (2021: LTIP: 25p, Market Priced Options: 204p) and their weighted average contractual life was 6.64 years (2021: 6.64 years).

The share-based remuneration expense (note 4) comprises:

	2022 £'000	2021 £'000
Equity-settled schemes	**855**	440

The Group did not enter into any share-based payment transactions with parties, other than employees, during the current or previous period other than warrants issued as part of the shareholder loans received (see note 25).

The fair value per option is:

	Fair value per option
9 February 2022 LTIP award	**167p**
9 February 2022 Market Priced award	**156p**
18 May 2022 LTIP award	**150p**
18 May 2022 Market Priced award	**146p**

10. Share-based payments continued

The assumptions used in the models used to calculate the fair value of the LTIP options granted in the year are as follows:

	2022 LTIP award (9 February 2022)
Share price (on date of official grant)	172p
Exercise price	25p
Expected volatility	2.39%
Actual life	3 years
Risk free rate	4.17%
Dividend yield	0.00%
Model used	Black Scholes
Expected percentage options exercised versus granted at date of grants	100%

	2022 LTIP award (18 May 2022)
Share price (on date of official grant)	153p
Exercise price	25p
Expected volatility	2.38%
Actual life	3 years
Risk free rate	6.22%
Dividend yield	0.00%
Model used	Black Scholes
Expected percentage options exercised versus granted at date of grants	100%

	2022 Market Priced award (9 February 2022)
Share price (on date of official grant)	172p
Exercise price	204p
Expected volatility	2.39%
Actual life	3 years
Risk free rate	4.17%
Dividend yield	0.00%
Model used	Black Scholes
Expected percentage options exercised versus granted at date of grants	100%

	2022 Market Priced award (18 May 2022)
Share price (on date of official grant)	153p
Exercise price	150p
Expected volatility	2.38%
Actual life	3 years
Risk free rate	6.22%
Dividend yield	0.00%
Model used	Black Scholes
Expected percentage options exercised versus granted at date of grants	100%

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

11. Acquisition of a subsidiary – ViJi

On 27 January 2022, the Group acquired 100 per cent of the voting shares of ViJi, an innovative software developer with an exciting suite of products focused on sustainability, for an initial consideration of €0.25 million and agreed to an undiscounted deferred consideration of €0.1 million, due to be paid a year after date of acquisition. There is also contingent consideration of €0.7 million, dependent upon the achievement of agreed performance criteria over the next two years from the date of acquisition. The acquisition-related costs amounted to £0.1 million and are included in the Consolidated Income Statement.

The acquisition has been accounted for using the purchase method of accounting.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Provisional fair value to the Group £'000
Other intangible assets	376
Property, plant and equipment	2
Borrowings	(136)
Trade and other receivables	35
Cash and cash equivalents	30
Trade and other payables	(34)
Net assets acquired	**273**
Goodwill arising on acquisition	102
	375
Discharged by:	
Cash paid on acquisition	208
Deferred consideration	75
Contingent consideration	92
	375
Cash outflow on acquisition:	
Cash paid on acquisition	208
Cash and cash equivalents acquired	30
	178

The initial accounting for the acquisition of ViJi has only been provisionally determined at the date of finalisation of these Consolidated Financial Statements based on Management's best estimates.

From the date of acquisition to 30 November 2022, ViJi contributed £19 thousands to the Group's revenue and a profit of £0.1 million to the Group's loss after tax.

If the acquisition of ViJi were completed on 1 December 2021, the Group's revenue for the year would have been £47,506k and the Group's loss after tax would have been £5,078k.

12. Discontinued operations

On 26 February 2021 the Group announced that a sale of the Starcom business for consideration of £14.7m had been approved and completed. Starcom had already been classified as a discontinued operation in the prior year as it represented a major line of business for the Group.

The post tax gain on disposal of the Starcom business was determined as follows:

	2022 £'000	2021 £'000
Cash consideration received	–	14,474
Total consideration received	**–**	14,747
Cash disposed of	–	(1,375)
Net cash inflow on disposal of discontinued operations	**–**	13,372
Net assets disposed (other than cash)		
Property, plant and equipment	–	(199)
Intangibles	–	(3,015)
Right-of-use asset	–	(454)
Trade and other receivables	–	(2,404)
Trade and other payables	–	1,958
	–	(4,114)
Pre-tax gain on disposal of discontinued operations	–	9,258
Gain on disposal of discontinued operations	**–**	9,258

Trade and other payables includes an onerous contract provision of £1,125k relating to higher than market pricing on the 3 year post completion service agreement with the buyer.

The results of the Starcom business for the year are presented below:

	2022 £'000	2021 £'000
Total revenue	–	2,309
Less inter-segment revenue	–	–
External revenue	–	2,309
Cost of sales	–	(845)
Gross profit	–	1,464
Administrative expenses	–	(1,011)
Impairment losses on financial assets	–	–
Amortisation of acquired intangibles	–	(107)
Profit from operations	–	346
Profit on disposal	–	9,258
Finance credit/(expense)	–	9
Profit before taxation from discontinued operations	**–**	9,613
Tax credit including on gain on asset held for sale	–	110
Profit for the year from discontinued operations	**–**	9,723

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

12. Discontinued operations continued

	2022 Pence	2021 Pence
Basic and diluted profit per share from discontinued operations	nil	22.0

The major classes of assets and liabilities of the Starcom business classified as held for sale as at 30 November 2022 are as follows:

	2022 £'000	2021 £'000
Property, plant and equipment	–	237
Right-of-use assets	–	332
Goodwill	–	2,373
Other intangible assets	–	690
Deferred tax assets	–	136
Trade and other receivables	–	1,871
Cash and cash equivalents	–	1,260
Assets classified as held for sale	**–**	6,899
Trade and other payables	–	(3,196)
Provisions	–	(60)
Lease liabilities	–	(316)
Liabilities directly associated with assets classified as held for sale	**–**	(3,572)
Net assets directly associated with disposal group	**–**	3,327

The net cashflows incurred by Starcom are as follows:

	2022 £'000	2021 £'000
Operating	–	628
Investing	–	(129)
Financing	–	(157)
Net cash inflow	**–**	342

On the 20 September 2021, the Group disposed of the customers and employees of its Sage business to Pinnacle Computing (Support) Ltd for £1.68m.

Formal completion occurred in early October 2021, following a TUPE consultation process in respect of the transfer to Pinnacle of the employees, and the disposal consideration was subject to a downward adjustment of £0.2m in respect of restructuring costs that Pinnacle undertook immediately following completion. The Group maintained ownership of the sales ledger at Completion which was £0.1m at 30 November 2021.

12. Discontinued operations continued

The post tax gain on disposal of the Sage business was determined as follows:

	2022 £'000	2021 £'000
Cash consideration received	–	1,475
Total consideration received	**–**	1,475
Cash disposed of	–	–
Net cash inflow on disposal of discontinued operations	**–**	1,475
Net assets disposed (other than cash)		
Trade and other receivables	–	682
Trade and other payables	–	478
	–	1,160
Pre-tax gain on disposal of discontinued operations	–	2,635
Gain on disposal of discontinued operations	**–**	2,635

Trade and other payables includes the release of working capital accruals no longer payable following the disposal of the business.

The results of the Sage business for the year are presented below:

	2022 £'000	2021 £'000
External revenue	**(50)**	4,011
Cost of sales	**(1)**	(2,437)
Gross profit	**(51)**	1,574
Administrative expenses	**(31)**	(1,641)
Impairment losses on financial assets	**–**	31
Profit from operations	**(82)**	(36)
Profit on disposal	**–**	2,629
Finance (expense)/credit	**2**	(24)
Profit before taxation from discontinued operations	**(80)**	2,569
Tax credit/(charge)	**(188)**	–
(Loss)/profit for the year from discontinued operations	**(108)**	2,569

	2022 Pence	2021 Pence
Basic and diluted profit per share from discontinued operations	**0.2**	5.8

The amounts included in the consolidated cashflows related to the Sage business are as follows:

	2022 £'000	2021 £'000
Operating	**(67)**	(230)
Investing	**–**	1,475
Financing	**2**	(24)
Net cash inflow/(outflow)	**(65)**	1,221

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

13. Property, plant and equipment

	Long leasehold land and buildings £'000	Leasehold improvements £'000	Plant, fixtures and equipment £'000	Total £'000
Cost				
At 30 November 2020	750	47	5,499	6,296
Additions	–	–	305	305
Disposals	–	–	(98)	(98)
Effect of movements in foreign exchange rate	–	–	(107)	(107)
At 30 November 2021	750	47	5,599	6,396
Additions	**–**	**–**	**845**	**845**
Disposals	**–**	**–**	**(139)**	**(139)**
Effect of movements in foreign exchange rate	**–**	**–**	**49**	**49**
At 30 November 2022	**750**	**47**	**6,354**	**7,151**
Accumulated depreciation				
At 30 November 2020	137	47	4,246	4,430
Depreciation charge	10	–	581	591
Disposals	–	–	(95)	(95)
Effect of movements in foreign exchange rate	–	–	(81)	(81)
At 30 November 2021	147	47	4,651	4,845
Depreciation charge	**10**	**–**	**626**	**636**
Disposals	**–**	**–**	**(130)**	**(130)**
Effect of movements in foreign exchange rate	**–**	**–**	**34**	**34**
At 30 November 2022	**157**	**47**	**5,181**	**5,385**
Net book value				
At 30 November 2020	613	–	1,253	1,866
At 30 November 2021	603	–	948	1,551
At 30 November 2022	**593**	**–**	**1,173**	**1,766**

Bank borrowings are secured on certain assets of the group including property, plant, and equipment. There is a fixed charge over the long leasehold property.

14 Right-of-use assets

	Buildings £'000	Equipment and motor vehicles £'000	Total £'000
Cost			
At 1 December 2020	3,832	1,780	5,612
Additions	22	297	319
Disposals	(669)	(38)	(707)
Effect of movements in foreign exchange rate	65	(1)	64
At 30 November 2021	3,250	2,038	5,288
Additions	**103**	**130**	**233**
Disposals	**(636)**	**(21)**	**(657)**
Effect of movements in foreign exchange rate	**2**	**9**	**11**
At 30 November 2022	**2,719**	**2,156**	**4,875**
Accumulated depreciation			
At 1 December 2020	1,932	962	2,893
Depreciation charge	566	397	963
Disposals	(233)	(11)	(244)
Effect of movements in foreign exchange rate	(34)	–	(33)
At 30 November 2021	2,231	1,348	3,579
Depreciation charge	**634**	**347**	**981**
Disposals	**(465)**	**(21)**	**(486)**
Effect of movements in foreign exchange rate	**–**	**–**	**–**
At 30 November 2022	**2,400**	**1,674**	**4,074**
Net book value			
At 30 November 2021	1,019	690	1,709
At 30 November 2022	**319**	**482**	**801**

The Group leases several assets including buildings, motor vehicles and equipment.

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Amounts recognised in profit and loss

	2022 £'000	2021 £'000
Depreciation expense on right-of-use assets	**981**	963
Interest expense on lease liabilities	**132**	202

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

15. Intangible assets

	Goodwill £'000	Development costs £'000	Contractual and non-contractual customer relationships £'000	Distribution agreements £'000	Intellectual property rights £'000	Total £'000
Cost or valuation						
At 30 November 2020	38,891	31,950	22,433	10,759	4,335	108,368
Additions	–	3,024	–	–	–	3,024
Disposals	(4,690)	(8,808)	(3,283)	–	(384)	(17,165)
Effect of movements in foreign exchange rate	(503)	(1,170)	(110)	(113)	–	(1,896)
At 30 November 2021	33,698	24,996	19,040	10,646	3,951	92,331
Additions	**–**	**1,729**	**–**	**–**	**–**	**1,729**
Relating to an acquisition of subsidiary	**102**	**376**	**–**	**–**	**–**	**478**
Effect of movements in foreign exchange rate	**248**	**347**	**–**	**–**	**–**	**595**
At 30 November 2022	**34,048**	**27,448**	**19,040**	**10,646**	**3,951**	**95,133**
Accumulated amortisation						
At 30 November 2020	12,759	22,845	21,300	10,759	4,303	71,966
Amortisation charge	–	5,062	545	–	32	5,639
Disposals	(4,690)	(8,808)	(3,283)	–	(384)	(17,165)
Impairment	857	–	564	–	–	1,421
Effect of movements in foreign exchange rate	–	(751)	(86)	(113)	–	(950)
At 30 November 2021	8,926	18,348	19,040	10,646	3,951	60,911
Amortisation charge	**–**	**3,767**	**–**	**–**	**–**	**3,767**
Impairment	**–**	**1,603**	**–**	**–**	**–**	**1,603**
Effect of movements in foreign exchange rate	**100**	**336**	**–**	**–**	**–**	**436**
At 30 November 2022	**9,026**	**24,054**	**19,040**	**10,646**	**3,951**	**66,717**
Net book value						
At 30 November 2020	26,132	9,105	1,132	–	33	36,403
At 30 November 2021	24,772	6,648	–	–	–	31,420
At 30 November 2022	**25,022**	**3,394**	**–**	**–**	**–**	**28,416**

All intangible assets, other than goodwill which has an indefinite life, have a useful economic life of between 3 and 10 years. The useful life of development costs is between 2 and 3 years, for contractual and non-contractual customer relationships is between 0 and 8 years and for intellectual property rights is between 0 and 4 years.

In 2022, an impairment of development costs of £1.6 million was recorded due to older technology assets held by our Growth IP CGU (2021: £nil).

16. Goodwill and impairment

Goodwill acquired in business combinations is allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from that business combination.

The carrying value of goodwill in respect of all CGUs is set out below. These are fully supported by either value in use calculations in the year or the fair value less cost to sell for CGUs held for sale.

	Goodwill carrying amount 2022 £'000	2021 £'000
Syspro	**13,677**	13,677
Global Accounts	**9,371**	9,227
Walton & Integrated Business Solutions (IBS)	**1,868**	1,868
ViJi	**106**	–
	25,022	24,772

The Group tests goodwill and the associated intangible assets and property, plant, and equipment of CGUs annually for impairment, or more frequently if there are indications that an impairment may be required.

The recoverable amounts of the remaining CGUs are determined from value in use calculations. The key assumptions for these calculations are discount rates, sales growth, gross margin, and admin expense growth rates. The assumptions for these calculations reflect the current economic environment. The discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from the weighted average cost of capital ("WACC"). Other assumptions used are based on external data and management's best estimates.

For all the CGUs where the recoverable amount is determined from value in use, the Group performs impairment reviews by forecasting cash flows based upon the Board 3-year plan starting in the 2023, which anticipates sales, gross margin and admin cost growth based on management's best estimates. A projection of sales and cash flows based upon a blended inflation rate (2.1%) is then made for a further two years.

The pre-tax cash flow forecasts used the following key assumptions:

- Syspro – growth rates of 23.7% to 5.5% over the next three years;
- Global Accounts – revenue growing by 26.2% over the 5-year forecast period with gross margin maintained at current performance;
- IBS and Walton – these CGUs relate to older products and the forecasts. A decision was made last year to cease investing in these products with a plan to transitioning customers, wherever possible, to Viji's platform. From FY27 we are assuming no revenue from these legacy products; and
- Viji – FY2023 will be second full year since acquisition. Growth rates of 30% from FY2024 over the next three years.

The rate used to discount the forecast pre-tax cash flows is 17.4% (2021: 13.4%) and represents the Directors' current best estimates of the weighted average cost of capital ("WACC"). The Directors consider that there are no material differences in the WACC for different CGUs.

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for the year ended 30 November 2022

17. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**8,079**	7,407
Loss allowance	**(784)**	(852)
Trade receivables – net	**7,295**	6,555
Other receivables	**138**	122
Contract assets	**5,512**	3,077
Prepayments	**604**	851
	13,549	10,605

The fair value of trade and other receivables approximates to book value at 30 November 2022 and 30 November 2021.

Of the above, trade receivables of £nil (2021: £nil) and contract assets of £nil (2021: £0.8m) are due after more than one year.

The Group is exposed to credit risk with respect to trade receivables due and accrued income which will become due from its customers. The group has approximately 2,700 (2021: 2,700) customers at the period end spread across various industries, although predominantly in the retail, manufacturing, and distribution sectors. The Group has one customer relationship that accounts for over 47% (2021: 45%) of total Group revenue but the relationship is spread across different territories and markets. The group assesses the credit rating for new customers to minimise the credit risk.

The average credit period on sales is 30 days. No interest is charged on outstanding trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022 £'000	2021 £'000
Pound sterling	**2,383**	1,696
Euro	**10,636**	8,107
Other	**530**	802
	13,549	10,605

17. Trade and other receivables continued

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

30 November 2022	Trade receivables and contract assets receivables – days past due					
	Not past due £'000	<30 £'000	31-60 £'000	61-90 £'000	>90 days £'000	Total £'000
Expected credit loss rate	**2.5%**	**1.5%**	**2.7%**	**4.5%**	**2.9%**	**2.4%**
Estimated total gross carrying amount at default	**9,254**	**2,011**	**1,386**	**245**	**695**	**13,591**
Specific provision	**–**	**–**	**–**	**–**	**(455)**	**(455)**
Lifetime expected credit loss	**(230)**	**(31)**	**(37)**	**(11)**	**(20)**	**(329)**
						12,807
					Trade receivables – net	**7,295**
					Contract assets	**5,512**
					Total	**12,807**

30 November 2021	Trade receivables and contract assets receivables – days past due					
	Not past due £'000	<30 £'000	31-60 £'000	61-90 £'000	>90 days £'000	Total £'000
Expected credit loss rate	0.9%	0.6%	1.3%	1.9%	2.1%	1.2%
Estimated total gross carrying amount at default	6,208	1,268	931	481	1,596	10,484
Specific provision	–	–	–	–	(723)	(723)
Lifetime expected credit loss	(69)	(7)	(12)	(9)	(32)	(129)
						9,632
					Trade receivables – net	6,555
					Contract assets	3,077
					Total	9,632

Movements on the group provision for impairment of trade receivables and contract assets are as follows:

	2022 £'000	2021 £'000
At beginning of year	**852**	1,329
Provided during the period	**102**	87
Utilised during the period	**(170)**	(564)
At end of year	**784**	852

The movement on the provision for impaired receivables and contract assets has been included in administrative expenses in the consolidated income statement.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

18. Forward currency contracts

Financial instruments at fair value through profit and loss

	2022 £'000	2021 £'000
Forward currency contracts	**110**	–
	110	–

The Group enters into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases. These contracts are measured at fair value through profit and loss within administrative expenses. The foreign exchange forward contract balances vary with the level of expected foreign currency costs and changes in the foreign exchange forward rates.

The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are detailed below:

30 November 2022

Buy currency	Sell currency	Nominal value of contract '000	Maturity date	Contract rate
Sterling	Euro	£296	29.12.22	1.1258
Sterling	Euro	£297	30.01.23	1.1226
Sterling	Euro	£297	28.02.23	1.1199
Sterling	Euro	£298	29.03.23	1.1171
Sterling	Euro	£299	28.04.23	1.1143
Sterling	Euro	£300	30.05.23	1.1113
Sterling	Euro	£300	29.06.23	1.1084
Sterling	Euro	£301	31.07.23	1.1056
Sterling	Euro	£302	31.08.23	1.1029
Sterling	Euro	£303	29.09.23	1.1003
Sterling	Euro	£303	30.10.23	1.098
Sterling	Euro	£308	29.11.23	1.0957

19. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	**2,823**	2,330
Other payables	**2,202**	704
Accruals	**4,041**	5,354
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**9,066**	8,388
Other tax and social security taxes	**2,504**	2,704
Contract liabilities	**5,312**	3,364
	16,882	14,456

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

To the extent trade and other payables are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 30 November 2022 and 30 November 2021.

20. Borrowings

	2022 £'000	2021 £'000
Current		
Bank overdrafts (secured)	**–**	113
Bank loans	**50**	–
Total borrowings	**50**	113

The Group's bank overdrafts are secured by cross guarantees and debentures (fixed and floating charges over the assets of all the Group companies). The Group's bankers have a formal right to set-off and provide a net overdraft facility across the Group of £250,000 (2021: £250,000).

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

20. Borrowings continued

Principal terms and the debt repayment schedule of the group's loans and borrowings are as follows:

	Currency	Nominal rate %	Year of maturity	Security
Secured bank loan	GBP	3.65% over SONIA	2022	See below

Bank borrowings of £50 thousands are included in short term liabilities (2021: £nil). The Facilities include a monthly draw down and a multi-currency overdraft facility.

Maturity analysis of borrowings:

	2022 £'000	2021 £'000
In less than one year	**50**	113
In more than one year but not more than two years	**–**	–
	50	113

Bank borrowings

The bank loans are secured by a fixed charge over the Group's long leasehold property and floating charges over the remaining assets of the Group.

The Group has undrawn committed banking facilities available at 30 November 2022 of £3.5 million (2021: £3.5 million) for which all conditions have been met. It is a revolving loan facility on which interest is charged at a floating rate linked to SONIA (2021: SONIA). For the purposes of reporting, fair value is equivalent to the carrying value of the borrowings. Post year end, the banking facility agreement has been extended until 31 March 2024.

The currency profile of the group's loans and borrowings is as follows:

	2022 £'000	2021 £'000
Pound sterling	**–**	42
Euro	**50**	71
	50	113

21. Financial instruments

Risk management

The group is exposed through its operations to one or more of the following financial risks:

- Market (and currency) risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes from previous periods in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them.

21. Financial instruments continued

Principal financial instruments

The principal financial instruments used by the group, from which financial risk arises, are as follows:

- Trade receivables;
- Cash at bank;
- Forward currency contracts;
- Trade and other payables; and
- Floating-rate bank loans and overdrafts.

Market (and currency) risk

Market risk arises from the group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

The group has fixed interest loans in respect of leases with a net book value of £0.9 million (2021: £4.06m). The fixed rate applicable on lease liabilities is 6% (2021: 6%).

Bank debt is £0.1 million (2021: £nil) and held under floating rates linked to quarterly SONIA (2021: SONIA). Shareholder loans totalling £nil (2021: £3.0m) were converted to shares during the period.

Foreign currency risk

Foreign exchange risk arises because the group has operations located overseas whose functional currency is not the same as the group's primary functional currency (sterling). The net assets from overseas operations are exposed to currency risk giving rise to gains or losses on retranslation into sterling.

Foreign exchange risk also arises when individual group operations enter into transactions denominated in a currency other than their functional currency. It is group policy that such transactions should be hedged by entering into forward contracts where it is considered the risk to the group is significant. This policy is managed centrally by group treasury entering into a matching forward contract with a reputable bank.

It is group policy that transactions between group entities are always denominated in the selling entity's functional currency thereby giving rise to foreign exchange risk in the income statement of both the purchasing group entity and the group. No external hedge is entered into as there is no exposure to consolidated net assets from intra-group transactions.

Liquidity risk

The liquidity risk of each group entity is managed centrally by the group treasury function comparing to budgets and quarterly forecasts.

The group maintains a syndicated revolving loan facility with Barclays to manage any unexpected short-term cash shortfalls. The facilities from the Group's bankers require the Group to meet certain covenants throughout the term of the loans with which the Group was compliant during the year and the Group's forecasts indicate that it will remain within the set parameters.

The principal terms of the group's borrowings are set out in note 20.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

21. Financial instruments continued

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices, are then factored into any contractual arrangements.

The group does not have any significant credit risk exposure to any single customer. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

Further details, including quantitative information, are included in note 17.

Capital disclosures

The group monitors "adjusted capital" which comprises all components of equity (i.e., share capital, share premium, retained earnings and other reserves) other than amounts in the translation reserve. Other reserves comprise a merger relief reserve.

	2022 £'000	2021 £'000
Total equity	**32,643**	35,801
Less: amounts in translation reserve	**(1,607)**	(1,538)
	31,036	34,263

The group's objective when maintaining capital is to safeguard the company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Sensitivity analysis

Whilst the group takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

The directors consider that interest rates are likely to remain low and unlikely to increase. A small increase of 0.1% movement in the interest rate could be reasonably possible as at the reporting date and would cause additional annual interest charges of £35k (2021: £35k), assuming the Banking Facility is fully drawn for an entire year.

The group's foreign exchange risk is dependent on the movement in the Euro to sterling exchange rate. The directors consider a 3 cent movement in the Euro GBP rate to be reasonably possible as at the reporting date. The effect of a 3 cent strengthening or weakening in the Euro against sterling at the balance sheet date on the Euro denominated £1m overdraft would be c£25k (2021: c£21k).

21. Financial instruments continued

Financial instruments by category

The carrying value of the Group's financial instruments are analysed as follows:

As at 30 November 2022	Notes	Amortised cost £'000	At FVTPL £'000	Total £'000
Assets				
Trade and other receivables:				
Trade receivables	17	7,295	–	**7,295**
Other non-derivative financial assets	17	138	–	**138**
Contract assets	17	5,512	–	**5,512**
Forward currency contracts		–	110	**110**
Cash and cash equivalents		7,113	–	**7,113**
Total assets		20,058	110	**20,168**
Liabilities				
Borrowings and lease liabilities:				
Current	20/24	(852)	–	**(852)**
Non-current	20/24	(79)	–	**(79)**
Trade and other payables:				
Trade payables	19	(2,823)	–	**(2,823)**
Other non-derivative financial liabilities	19	(6,243)	–	**(6,243)**
Contract liabilities	19	(5,312)	–	**(5,312)**
Total liabilities		(15,309)	–	**(15,309)**
Net		**4,749**	**110**	**4,859**

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

21. Financial instruments continued

Financial instruments by category continued

As at 30 November 2021	Notes	Amortised cost £'000	At FVTPL £'000	Total £'000
Assets				
Trade and other receivables:				
Trade receivables	17	6,555	–	6,555
Other non-derivative financial assets	17	122	–	122
Contract assets	17	3,077	–	3,077
Cash and cash equivalents		9,146	–	9,146
Total assets		18,900	–	18,900
Liabilities				
Borrowings and lease liabilities:				
Current	20/24	(1,736)	–	(1,736)
Non-current	20/24	(135)	–	(135)
Trade and other payables:				
Trade payables	19	(2,330)	–	(2,330)
Other non-derivative financial liabilities	19	(6,058)	–	(6,058)
Contract liabilities	19	(3,364)	–	(3,364)
Total liabilities		(13,623)	–	(13,623)
Net		5,277	–	5,277

Financial instruments measured at fair value

Except for forward currency contracts, there were no financial instruments measured subsequent to initial recognition at fair value at the end of either period.

22. Provision

	Dilapidations £'000	Onerous contracts £'000	Deferred consideration £'000	Total £'000
At 30 November 2021	370	769	844	**1,983**
Additions	–	–	–	**–**
Paid in the year	–	(342)	(375)	**(717)**
Interest	26	–	–	**26**
Disposed	(145)	–	–	**(145)**
At 30 November 2022	**251**	**427**	**469**	**1,147**
Split as:				
Current	251	342	375	**968**
Non-Current	–	85	94	**179**
At 30 November 2022	**251**	**427**	**469**	**1,147**

The Onerous contract provision relates to commitments undertaken for the post completion services agreement with the Buyer of Starcom for activity no longer in the Group. The deferred consideration provision relates to above market pricing included in the post completion services agreement with the Buyer of Starcom. The non-current element of these provisions will be utilised evenly until the end of February 2024.

23. Deferred tax

The net deferred tax asset/liability at the end of the year is analysed as follows:

	2022 £'000	2021 £'000
Deferred tax assets		
Continuing operations	**855**	1,010
Deferred tax liabilities		
Continuing operations	**(1,119)**	(1,288)
	(264)	(278)

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

23. Deferred tax continued

Recognised deferred tax assets and liabilities and attributable to the following:

	Assets		Liabilities		Net	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Plant and equipment	**111**	148	**(1)**	(3)	**110**	145
Other temporary differences	**663**	806	**(1,118)**	(1,285)	**(455)**	(479)
Losses	**23**	–	**–**	–	**23**	–
Business combinations	**58**	56	**–**	–	**58**	56
Deferred tax assets/(liabilities)	**855**	1,010	**(1,119)**	(1,288)	**(264)**	(278)

Movement in deferred tax during the year

	1 December 2021 £'000	Recognised in income £'000	Disposal £'000	30 November 2022 £'000
Plant and equipment	145	(35)	–	110
Other temporary differences	(478)	23	–	(455)
Losses	–	23	–	23
Business combinations	56	2	–	58
Deferred tax assets/(liabilities)	**(277)**	**13**	**–**	**(264)**

The Group has not recognised a deferred tax asset on £1.8m (2021: £2.8m) of tax losses and intangible fixed asset timing differences carried forward due to uncertainties over recovery.

No deferred tax liability is recognised on temporary differences of £20k (2021: £23k) relating to the unremitted earnings of overseas subsidiaries as the Group can control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

24. Lease liabilities

	2022 £'000	2021 £'000
Analysed as:		
Non-current	**79**	135
Current	**802**	1,623
	881	1,758

	2022 £'000	2021 £'000
Maturity analysis		
Year 1	**802**	1,623
Years 2 to 5	**79**	135
	881	1,758

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. Lease obligations are denominated in Sterling, Euros, Singapore Dollars.

25. Share capital

	Issued and fully paid			
	2022		2021	
	Number	£'000	Number	£'000
Ordinary shares of 25p each				
At beginning of the year	**44,732,379**	**11,183**	42,946,665	10,737
Issued during the year	**–**	**–**	1,785,714	446
At end of the year	**44,732,379**	**11,183**	44,732,379	11,183

All shares have equal voting rights and there are no restrictions on the distribution of dividends or repayment of capital.

No shares were allocated under the employee share option schemes during the year.

	2022 Number	2021 Number
Own shares held	**26,809**	26,809

Own shares are held by a wholly owned subsidiary, K3 Business Technology Group Trustees Company Limited, as trustee of the group's employee share ownership plan.

500,000 warrants for ordinary shares of 25p each were issued to CA Fastigheter AB during 2007 in recognition of the reduction in its security following the increase in borrowings from the bank to fund the acquisition of McGuffie Brunton Limited. The warrants were exercisable at 123.5p and until the date on which the loan to CA Fastigheter AB was repaid upon meeting the following conditions: 300,000 of the warrants were exercisable when the company's share price stands at £2.50; 100,000 were exercisable when it stands at £3.25; 100,000 had no conditions attached to them. The 100,000 warrants with no conditions attached to them were exercised on 4 July 2017. The remaining warrants were outstanding at the same exercise price and upon the same company share prices but following conversion of the loan due to CA Fastigheter AB into equity, the terms were amended such that the warrants were then exercisable until 5 July 2022. No warrants were exercised in FY2022 and therefore have expired. This has had no impact on the diluted earnings per share.

1,200,000 warrants for ordinary shares of 25p were issued on 31 March 2020 following the receipt by the Group of £3,000,000 in shareholders loans. The warrants are split as follows:

- CA Fastigheter AB 300,000
- Johannes Plan Fastigheter AB 300,000
- Kestrel Partners LLP discretionary clients 600,000

The warrants are over ordinary shares of 25p, are transferrable with a strike price of 25p and expire on 31 March 2030. At 30 November 2022 none of these warrants had been exercised. On 7 April 2021 the £3,000,000 Shareholder Loan was converted to equity with the issue of 1,785,714 nominal shares. Prior to conversion of Shareholder Loan to equity, under IFRS2 the warrants generated a finance expense of £328k in 2021, however nil expense in 2022.

At 30 November 2022 (and 30 November 2021) all SAYE options have lapsed.

LTIP

As set out in note 10, K3 Business Technology Group plc operates an equity-settled share-based remuneration scheme for employees: the K3 Long-Term Incentive Plan ("LTIP") for certain senior management including executive directors.

As at 30 November 2022, an aggregate of 1,675,000 (2021: 2,375,000) LTIP options over ordinary shares in the Company remained in issue.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

26. Retirement benefits

The Group operates a defined contribution scheme and also makes contributions to personal pension schemes of certain senior employees and directors.

Pension costs for defined contribution schemes in the year to 30 November 2022 are £1.17m (2021: £1.32 million) of which £nil (2021: £0.25 million) has been recognised within discontinued operations.

27. Related party transactions

Details of directors and key management compensation are given in the Remuneration Report on pages 44 to 47.

Non-Executive Director fees due to Mr O Scott are paid to Kestrel Partners, where O Scott is a founding partner. Fees paid to Kestrel in the year were £50k (2021: £46.7k) and the balance owed to Kestrel at 30 November 2022 was £nil (2021: £nil).

Other than their remuneration and participation in the Group's share option schemes, there are no transactions with key management personnel. Other related party transactions are as follows:

500,000 warrants for ordinary shares of 25p each were issued to CA Fastigheter AB during 2007 in recognition of the reduction in its security following the increase in borrowings from the bank to fund the acquisition of McGuffie Brunton Limited. The warrants were exercisable at £1.235 and until the loan was repaid upon meeting the following conditions: 300,000 of the warrants were exercisable when the company's share price stands at £2.50, 100,000 are exercisable when it stands at £3.25; 100,000 had no conditions attached to them. The 100,000 warrants with no conditions attached to them were exercised on 4 July 2017. The remaining warrants remained outstanding at the same exercise price and upon the same company share prices but, following conversion of the loan into equity last year (2021), the terms were amended such that the warrants were then exercisable until 5 July 2022. No warrants were exercised in FY2022 and therefore have lapsed.

1,200,000 warrants for ordinary shares of 25p were issued on 31 March 2020 following the receipt by the Group of the £3,000,000 in shareholders loans. The warrants were split as follows:

- CA Fastigheter AB 600,000
- Kestrel Partners LLP discretionary clients 600,000

All 1,200,000 warrants remain outstanding and are exercisable until 31 March 2030. On 9 June 2021, 300,000 of the CA Fastigheter AB warrants were transferred to Johannes Plan Fastigheter AB (a company also controlled by Mr Claesson).

On 30 March 2021, as part of the process of extending the Group's bank facilities, K3 agreed to fully convert the £3.0m of Shareholder Loans into ordinary shares of 25p each ("Ordinary Shares").

The main terms of the conversion of the Shareholder Loans were as follows:

- conversion at a price of £1.68 per Ordinary Share (being the prevailing bid-price on 26 March 2021)
- upon conversion of the Shareholder Loans CA Fastigheter AB and discretionary clients of Kestrel received 892,857 Ordinary Shares each (1,785,714 Ordinary Shares in aggregate)
- payment of accrued interest and conversion costs amounting to an aggregate amount of £552,064 paid by the Company to the Lenders in cash on or around the date of conversion; and
- the warrants over 1.2m Ordinary Shares granted to the Lenders at the date of the Shareholder Loans were not exercised and will remain in place.

The Loan Conversion increased the Company's issued share capital by 1,785,714 new Ordinary Shares, representing 4.16% of the Company's issued share capital.

28. Events after the reporting date

On the 24 February 2023 the Group agreed an extension to its Current Revolving Credit Facility with Barclays for £3.5m until 31 March 2024.

29. Notes to the cash flow statement

Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and bank balances available on demand	**7,113**	9,146
Bank overdrafts	**–**	(113)
	7,113	9,033

Cash and cash equivalents comprise cash and bank balances available on demand. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

Non-cash transactions

Additions to buildings, motor vehicles and equipment during the year amounting to £233k (2021: £319k) were financed by new leases. During FY2022, £nil (2021: £3 million) shareholders loan converted to equity.

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

30. Notes to the strategic report

*1 Adjusted EBITDA – is the loss from continuing activities adjusted to exclude depreciation and amortisation of development costs, amortisation of acquired intangibles, exceptional impairment costs, exceptional reorganisation and acquisition costs, exceptional customer settlement provisions and share-based payment charges.

*2 Recurring or predictable revenue – Contracted support, maintenance and services revenues with a frame agreement of 2 years or more, as % of total revenue.

*3 K3 Product revenue as a percentage of total Group revenue.

*4 K3 Product gross profit as a percentage of total gross profit.

*5 Net debt comprises Bank Loans, Shareholder Loans and Overdrafts less Cash and cash equivalents, including Cash and cash equivalents held for sale. It excludes lease liabilities associated with Right-of-Use Assets under IFRS16.

*6 Adjusted loss/earnings per share – basic loss per share from continuing operations adjusted to exclude amortisation of acquired intangibles, exceptional impairment costs, exceptional reorganisation costs, and share-based charges net of the related tax charge.

*7 Underlying support/admin costs – administrative expenses adjusted to exclude depreciation and amortisation of development costs, amortisation of acquired intangibles, exceptional impairment costs, exceptional reorganisation and acquisition costs and share-based payment charges.

*8 ARC (Annualised Recurring Contracts) – The annual contracted income from support, maintenance, SaaS and term contract software spread over the term of the contract.

*9 Cash outflow – speed at which business spends the money that is available to it. Calculated as delta between cash and cash equivalents balances between two periods.

31. Subsidiaries

The trading subsidiaries of K3 Business Technology Group plc, all of which have been included in these consolidated financial statements are as follows:

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held
K3 BTG Limited	UK	100%
K3 Business Technology Group Trustees Company Limited	UK	100%
K3 FDS Limited	UK	100%
K3 Syspro Limited	UK	100%
K3 Systems Support Limited	UK	100%
Retail Systems Group Limited	UK	100%
FDS Technology Systems Limited	Ireland	100%
Integrated Manufacturing Software Limited	Ireland	100%
K3 Business Technologies Ireland Limited	Ireland	100%
K3 Business Solutions BV	Netherlands	100%
K3 Software Solutions BV	Netherlands	100%
K3 Solutions BV	Netherlands	100%
K3 Business Solutions Pte Limited	Singapore	100%
K3 Business Solutions SDN BHD	Malaysia	100%
K3 Business Solutions ehf	Iceland	100%
K3 Software Solutions LLC	USA	100%
DdD Retail A/S	Denmark	100%
DdD Retail Norway A/S	Norway	100%
DdD Retail Germany GmbH	Germany	100%
Detalj Data i Sverige AB	Sweden	100%
Viji SAS	France	100%

The principal activity of all the above subsidiary undertakings is the supply of computer software and consultancy except for the following: K3 Business Technology Group Trustees Company Limited which is the trustee for the group's employee share ownership plan.

Details of movements in investments are recorded in note 6 of the company financial statements.

The registered office for all the UK companies is Baltimore House, 50 Kansas Avenue, Manchester, M50 2GL. The registered office for all the Irish companies is Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland. The registered office for all the Dutch companies is Gildeweg 9b, 2632 BD Nootdorp, The Netherlands. The registered offices for the other overseas subsidiaries are:

K3 Business Solutions Pte Limited	133 New Bridge Road, #10-09 Chinatown Point, Singapore 059413
K3 Business Solutions SDN BHD	No. 256b, Jalan Bandar 12, taman Melawati, 53100 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
K3 Business Solutions ehf	Austurstræt 12, 101 Reykjavik, Iceland
K3 Software Solutions LLC	33S 6th St., Suite 4200, Minneapolis MN 55402, USA
DdD Retail A/S	Theilgaards Allé 2, 4600 Køge, Denmark
DdD Retail Norway A/S	Stensarmen 4, 3112 Tonsberg, Norway
DdD Retail Germany GmbH	Weilstrasse 41, 89143 Balubeuren, Germany
Detalj Data i Sverige AB	Postbox 1088, 262 21 Angelholm, Sweden

Notes forming part of the Financial Statements continued

for the year ended 30 November 2022

31. Subsidiaries continued

In addition, the company has the following subsidiaries which are non-trading or intermediate holding companies and all of which have been included in these consolidated financial statements:

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held
Colne Investments Limited	UK	100%
Fashion Cloud Software.com, LLC	USA	100%
FDS Holdco Limited	UK	100%
Fifth Dimension Systems Limited	UK	100%
Intelligent Solutions Consultancy Limited	UK	100%
K3 AX Limited	UK	100%
K3 Business Systems Holdco Limited	UK	100%
K3 FD Systems Limited	UK	100%
K3 Global Products Limited	UK	100%
K3 Information Engineering Limited	UK	100%
K3 Information Services Limited	UK	100%
K3 International Support Services Limited	Ireland	100%
K3 Landsteinar Limited	UK	100%
K3 Managed Services Holdco Limited	UK	100%
K3 Partner Network (International) Limited	Ireland	100%
K3 Retail and Business Solutions Holdco Limited	UK	100%
Retail Technology Limited	UK	100%
Sense Enterprise Solutions Limited	UK	100%
K3 Holdings BV	Netherlands	100%
Retail Support International ApS	Denmark	100%

Company Balance Sheet

as at 30 November 2022

Registered number: 02641001

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	5	**838**	514
Intangible assets		**303**	195
Investments	6	**32,436**	30,042
		33,577	30,751
Current assets			
Debtors	7	**24,913**	20,174
Forward currency contracts		**110**	–
Cash at bank and in hand		**1,726**	3,784
Deferred tax	9	**12**	33
		26,761	23,991
Creditors: Amounts falling due within one year	8	**(6,461)**	(6,937)
Provisions – current	11	**(717)**	(717)
Net current assets		**19,583**	16,337
Provisions – non-current	11	**(179)**	(896)
Net assets		**52,981**	46,192
Capital and reserves			
Called-up share capital	12	**11,183**	11,183
Share premium account		**31,450**	31,450
Other reserve		**11,027**	11,027
Profit and loss account		**(679)**	(7,468)
Equity shareholders' funds		**52,981**	46,192

As permitted under section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

The profit for the year dealt with in the financial statements of the parent company was £6,038,000 (2021: £15,054,000).

The financial statements on pages 123 to 132 were approved and authorised for issue by the board of directors on 29 March 2023 and signed on its behalf by:

RD Price
Director

The notes on pages 125 to 132 form part of these financial statements.

Company Statement of Changes in Equity

as at 30 November 2022

	Share capital £'000	Share premium £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
At 30 November 2020	**10,737**	**28,897**	**11,027**	**(22,962)**	**27,699**
Changes in equity for year ended					
30 November 2021					
Profit for the year	–	(1)	–	15,054	**15,053**
Total comprehensive expense	–	(1)	–	15,054	**15,053**
Share-based payment	–	–	–	440	**440**
Issue of shares	446	2,554	–	–	**3,000**
At 30 November 2021	**11,183**	**31,450**	**11,027**	**(7,468)**	**46,192**
Changes in equity for year ended					
30 November 2022					
Profit for the year	–	–	–	6,038	**6,038**
Total comprehensive income	–	–	–	6,038	**6,038**
Share-based payment	–	–	–	751	**751**
At 30 November 2022	**11,183**	**31,450**	**11,027**	**(679)**	**52,981**

Of the above reserves, the directors only consider the profit and loss account to be distributable.

Within the Share Capital reserve there are own shares held by a wholly owned subsidiary, K3 Business Technology Group Trustees Company Limited, as trustee of the group's employee share ownership plan. Own shares represent 26,809 (2021: 26,809) shares held under an employee share ownership plan which will be issued to the employees when they choose to withdraw them. The market value of these shares as at 30 November 2022 was £34,181 (2021: £47,050).

The notes on pages 125 to 132 form part of these financial statements.

Notes forming part of the Company Financial Statements

for the year ended 30 November 2022

1. Accounting policies for the company financial statements

The principal accounting policies are summarised below where they differ from those in the consolidated financial statements on pages 62 to 122. They have all been applied consistently throughout the current year and the preceding period.

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101").

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted by the company are set out below.

In preparing these financial statements, the company has taken advantage of certain exemptions permitted by FRS 101, as the equivalent disclosures are made in the group accounts. Exemptions have been applied in respect of the following disclosures:

- The cash flow statement and related notes
- Capital management disclosures
- The effects of new IFRSs
- The disclosure of the remuneration of key management personnel
- Disclosure of related party transactions with other wholly owned members of the K3 Business Technology Group plc group of companies
- Financial instrument disclosures

Investments

Fixed asset investments are shown at cost less provision for impairment. Loans due from subsidiary companies which are of a long-term nature are regarded as permanent equity and included in investments. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured either by reference to the nominal value or the fair value of the shares where appropriate. Any premium is ignored when the nominal value is used.

Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Intercompany loans are subsequently measured at amortised cost. Interest income is recognised using the effective interest method.

The carrying amount of financial assets and liabilities that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets and liabilities measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

Notes forming part of the Company Financial Statements continued

for the year ended 30 November 2022

2. Profit/(loss) from operations

	Notes	2022 £'000	2021 £'000
This has been arrived at after charging/(crediting):			
Staff costs	3	**3,326**	4,737
Depreciation of property, plant and equipment	5	**381**	236
Exceptional impairment of intercompany receivables		**–**	5,408
Gain on disposal of Starcom business		**–**	(12,250)
Exceptional reorganisation costs		**–**	2,533
Foreign exchange (income)/costs		**(273)**	500

3. Staff numbers

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
Consultants and programmers	**–**	33
Sales and distribution	**–**	15
Administration	**28**	36
	28	84

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	**2,677**	3,931
Social security costs	**363**	424
Other pension costs (note 14)	**211**	275
Short term non-monetary benefits	**75**	107
	3,326	4,737

In addition Share-based payments were charged of £751k (2021: £440k).

4. Directors' remuneration, interests and transactions

Directors' remuneration is disclosed in note 4 to the consolidated financial statements.

Directors' share options are disclosed in the Remuneration Report on pages 44 to 47.

5. Tangible fixed assets

	Plant, office equipment and fixtures £'000
Cost	
At 1 December 2020	1,000
Additions	187
At 30 November 2021	1,187
Additions	725
Disposals	(30)
At 30 November 2022	**1,882**
Depreciation	
At 1 December 2020	437
Depreciation charge	236
At 1 December 2021	673
Depreciation charge	381
Disposals	(10)
At 30 November 2022	**1,044**
Net book value	
At 30 November 2022	**838**
At 30 November 2021	514
At 30 November 2020	563

Notes forming part of the Company Financial Statements continued

for the year ended 30 November 2022

6. Fixed asset investments

	2022 £'000	2021 £'000
Subsidiary undertakings	**32,436**	30,042

The trading subsidiaries of K3 Business Technology Group plc are disclosed in note 31 to the consolidated financial statements. All subsidiary undertakings are wholly owned, and all shares consist of ordinary shares only.

	Cost of investment £'000	Total £'000
Cost		
At 30 November 2020	29,348	29,348
Sale of subsidiary	(1,906)	(1,906)
Investment in subsidiary	2,600	2,600
At 30 November 2021	30,042	30,042
Investment in subsidiaries	2,394	2,394
At 30 November 2022	**32,436**	32,436
Net book value		
At 30 November 2022	**32,436**	32,436
At 30 November 2021	30,042	30,042
At 30 November 2020	29,348	29,348

During the year, dividend in-specie was received from a subsidiary of £2.1 million. Also, the Company paid £0.3 million to acquire a subsidiary called Viji SAS.

Under section 479A of the Companies Act 2006 the Group's subsidiaries, listed below, are claiming exemption from audit. The parent undertaking, K3 Business Technology Group plc, registered number 02641001, guarantees all outstanding liabilities to which each subsidiary is subject at the end of the financial year (being the year ended 30 November 2021 for each company listed below). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary undertaking is liable in respect of those liabilities.

Colne Investments Limited	03563989
K3 BTG Limited	06338304
K3 Systems Support Limited	08497112
Retail Systems Group Limited	01763900

7. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**24,529**	19,839
Trade debtors	**17**	15
Corporation tax receivable	**13**	–
Prepayments	**281**	320
Taxation and social security	**73**	–
	24,913	20,174

Interest is charged on amount owed by subsidiary undertakings at 4.55% (2021: 3.65%) which is deemed to be a market rate. The Company impaired £nil (2021: £5,408k) on the intercompany receivables.

8. Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	**583**	840
Amounts owed to subsidiary undertakings	**4,350**	4,226
Taxation and social security	**–**	72
Other creditors	**181**	190
Accruals	**1,347**	1,609
	6,461	6,937

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group.

Interest is charged on amount owed to subsidiary undertakings at 4.55% (2021: 3.65%) which is deemed to be a market rate.

Notes forming part of the Company Financial Statements continued

for the year ended 30 November 2022

9. Deferred taxation

	2022 £'000	2021 £'000
Accelerated capital allowances	**6**	25
Other timing differences	**6**	8
Deferred tax asset	**12**	33

The movements in deferred tax assets (liabilities) during the year are:

	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 December 2021	25	8	**33**
Charged to profit and loss	(19)	(2)	**(21)**
At 30 November 2022	**6**	**6**	**12**

The Company has not recognised £nil of deferred tax on losses of £nil (2021: £356k on losses of £1,873k). The deferred tax assets have been recognised to the extent as they are expected to be recoverable against future taxable profits.

10. Discontinued operations

On 26 February 2021 the Company disposed of the Starcom business for consideration of £14.7m.

The post tax gain on disposal of the Starcom business was determined as follows:

	2022 £'000	2021 £'000
Cash consideration received	–	14,474
Total consideration received	–	14,747
Cash disposed of	–	(1,375)
Net cash inflow on disposal of discontinued operations	–	13,372
Net assets disposed (other than cash)		
Trade and other receivables	–	(1,122)
	–	(1,122)
Pre-tax gain on disposal of discontinued operations	–	12,250
Related tax expense	–	–
Gain on disposal of discontinued operations	–	12,250

Trade and other receivables includes the disposal of the investment in the Starcom business.

11. Provisions

	Onerous contracts £'000	Deferred consideration £'000	Total £'000
At 30 November 2021	769	844	**1,613**
Paid in the year	(342)	(375)	**(717)**
At 30 November 2022	**427**	**469**	**896**
Split as:			
Current	342	375	**717**
Non-Current	85	94	**179**
At 30 November 2022	**427**	**469**	**896**

The Onerous contract provision relates to commitments undertaken for the post completion services agreement with the Buyer of Starcom for activity no longer in the Company. The deferred consideration provision relates to above market pricing included in the post completion services agreement with the Buyer of Starcom. The non-current element of these provisions will be utilised evenly until the end of February 2024.

Notes forming part of the Company Financial Statements continued

for the year ended 30 November 2022

12. Called-up share capital

	2022 £'000	2021 £'000
Allotted, called-up and fully-paid		
44,732,379 ordinary shares of 25p each (2021: 44,732,379)	**11,183**	11,183

See note 25 to the consolidated financial statements for details of the movements in called-up share capital and of outstanding warrants.

13. Share-based payment

K3 Business Technology Group plc operates an equity-settled share-based remuneration scheme for employees: the K3 Long-Term Incentive Plan ("LTIP") for certain senior management including executive directors. See note 10 to the consolidated financial statements for details regarding share-based payments.

14. Pension arrangements

The Company operates a defined contribution scheme and makes contributions to personal pension schemes of certain senior employees and directors for which the total pension cost charge for the year amounted to £211,000 (2021: 275,000).

15. Related party transactions

Related party transactions are disclosed in note 27 to the consolidated financial statements. There were no other transactions with related parties during the year.

16. Contingent liability

The Company has entered into a cross-guarantee with fellow group undertakings in relation to liabilities with Barclays Bank plc. At the period end the liabilities covered by the guarantee totalled £nil (2021: £nil) of which £nil (2021: £nil) is included within the Company's accounts.

17. Events after the reporting date

See note 28 in the Group notes to the accounts.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in K3 Business Technology Group plc (the "Company"), please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Company will be held at the Company's offices at finnCap Group, One Bartholomew Close, London, EC1A 7BL on Tuesday 23 May 2023 at 10:00 am at which the following business will be transacted.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 to 9 will be proposed as special resolutions.

Ordinary resolutions

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive, consider and adopt the annual accounts for the period ended 30 November 2022, together with the directors' and auditors' reports on those accounts.
2. To re-elect T Crawford as a director of the Company in accordance with Articles 22.5 and 22.6 of the articles of association.
3. To elect E Dodd as a director of the Company (in accordance with Articles 22.5 and 22.6 of the articles of association) who was appointed by the Board since the last annual general meeting.
4. To elect P Fabricius as a director of the Company (in accordance with Articles 22.5 and 22.6 of the articles of association) who was appointed by the Board since the last annual general meeting.
5. To re-appoint BDO LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company.
6. To authorise the directors of the Company to determine the auditor's remuneration.
7. That the directors of the Company be and they are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £3,727,698 provided that this authority shall unless previously revoked, renewed or varied by the Company in general meeting expire five years from the date of this resolution or if earlier, the date of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous unexercised authorities conferred upon the directors pursuant to section 551 of the Act, but without prejudice to the allotment of any shares or the grant of any Rights already made or to be made pursuant to such authorities.

Notice of Annual General Meeting
continued

Special resolutions

To consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

Disapplication of pre-emption rights

8. That subject to and conditional on the passing of resolution 7 above, the directors of the Company be and they are empowered pursuant to section 570 and 573 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 7 above and/or to sell ordinary shares held by the Company as treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

8.1. the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares and to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

8.2. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph 8.1 above) up to an aggregate nominal amount of £1,118,309.00;

and, unless previously renewed, revoked or varied by the Company in general meeting, the authority granted by this resolution shall expire on 18 August 2024, or if earlier the date of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors of the Company may allot equity securities and/or sell equity securities held as treasury shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Authority to repurchase ordinary shares

9. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares"), provided that:
   (a) the maximum aggregate number of Shares authorised to be purchased is 4,473,238;
   (b) the minimum price (exclusive of expenses) which may be paid for a Share is 25 pence;
   (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade and the highest then current independent bid for any number of the Shares on the Alternative Investment Market of the London Stock Exchange;
   (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2024 or, if earlier, on the expiry of 15 months from the date of passing of this resolution unless such authority is renewed prior to such time; and
   (e) the Company may make one or more contracts to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

Registered Office

K3 Business Technology Group plc
Baltimore House
50 Kansas Avenue
Manchester M50 2GL

26 April 2023

By order of the Board

E Dodd
Company Secretary

Notice of Annual General Meeting
continued

Explanatory Notes to the Resolutions proposed in the Notice of Annual General Meeting

Please refer to notes 1 to 4 relating to entitlement to attend and vote at the meeting and the appointment of proxies.

1. Resolution 1 – The Directors are required to present to shareholders at the annual general meeting the Annual Report and Accounts for the financial year ended 30 November 2022 together with the Director's and Auditor's reports on such accounts.
2. Resolution 2 – Under Article 22.5 of the Company's current articles of association, one third of the total number of directors (rounded down to the nearest whole) shall retire at each annual general meeting. For the purposes of this calculation, the total number of directors does not include those directors tabled for re-election due to being appointed since the previous annual general meeting or due to being appointed for a period of nine years or more. Accordingly, T Crawford shall also retire at the 2023 annual general meeting and offers himself for re-election. His re-election is recommended by the Board. T Crawford was originally appointed as a director of the Company in October 2020 and his biographical details are available on the Company's website at https://www.k3btg.com/aim-rule-26/the-board/.
3. Resolutions 3 and 4 – In compliance with Article 22.5 of the Company's current articles of association any director appointed by the board since the previous annual general meeting shall retire at the annual general meeting of the Company next following the appointment. E Dodd and P Fabricius were appointed by the Board as directors of the Company in April 2023 and July 2022 respectively and accordingly will each retire and offer themself for re-election as a director at the 2023 annual general meeting. E Dodd and P Fabricius are both recommended by the Board for re-election. Biographical details of E Dodd and P Fabricius are available on the Company's website at https://www.k3btg.com/aim-rule-26/the-board/.
4. Resolutions 5 and 6 – The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. BDO LLP have indicated their willingness to continue in office. Accordingly, Resolution 5 reappoints BDO LLP as the Auditor of the Company and Resolution 6 authorises the Directors to fix their remuneration.
5. Resolution 7 would empower the directors to allot shares for any reason in accordance with Section 551 of the Act up to an aggregate nominal amount of £3,727,698 representing approximately one-third of the issued share capital of the Company at the date of the notice of annual general meeting. This resolution complies with the Investment Association Share Capital Management Guidelines issued in July 2016. As at close of business on the date of the notice of annual general meeting the Company did not hold any treasury shares. The authority granted by this resolution will expire five years from the date of the resolution or if earlier, on the conclusion of next year's annual general meeting.

6. Resolution 8 (proposed as a special resolution) would empower the directors pursuant to the authority to allot granted by resolution 7 to allot equity securities (as defined by section 560 of the Act) for cash or sell treasury shares other than to existing shareholders pro rata to their existing holdings. Such power would be limited to the situations referred to in sub-paragraphs 8.1 and 8.2 of that resolution. Sub-paragraph 8.1 refers to rights issues and similar issues, where difficulties arise in offering relevant securities to certain overseas shareholders or where fractional entitlements arise. Sub-paragraph 8.2 permits allotments for cash (other than rights issues or similar) of ordinary shares or sale of treasury shares up to an aggregate nominal amount of £1,118,309 representing approximately one-tenth of the issued ordinary share capital of the Company at the date of the notice of annual general meeting. The resolution is proposed so as to give the directors greater flexibility to take advantage of business opportunities as they arise. The directors have no present intention of exercising the authority. The power granted by this resolution will expire on 18 August 2024, or if earlier on the conclusion of next year's annual general meeting.
7. Resolution 9 seeks authority for the Company to make market purchases of its own ordinary shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 4,473,238 of its ordinary shares, representing approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the notice of annual general meeting. The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the Company's 2024 annual general meeting and the date 15 months after the resolution.

   The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share.

   The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

Notice of Annual General Meeting
continued

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. On a show of hands every shareholder present in person has one vote and on a poll every shareholder has one vote for each share held by him. The necessary quorum at this meeting is two members present in person or by proxy and entitled to vote upon the business to be transacted.
2. The Company specifies that only those members registered on the Company's register of members at:
   - close of business on 19 May 2023; or,
   - if this Meeting is adjourned, at close of business on the day two days prior to the adjourned meeting (excluding non-business days),

   shall be entitled to attend and vote at the Meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Issued shares and total voting rights

3. As at close of business on the date of the notice of annual general meeting, the Company's issued share capital comprised 44,732,379 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business on the date of the notice of annual general meeting is 44,732,379.

Documents on display

4. The following documents will be available for inspection at finnCap Group, One Bartholomew Close, London, EC1A 7BL from the date of the notice of the annual general meeting until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting:
   - Copies of the service contracts of executive directors of the Company; and
   - Copies of the letters of appointment of the non-executive directors of the Company.

Appointment of proxies

5. If you are a member of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
6. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chair of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chair) and give your instructions directly to them.
7. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please complete new proxy forms for each proxy appointed and list the details of each proxy on a separate form. Please indicate in the box next to the proxy's name the number of shares in relation to which he/she is authorised to act as your proxy. Failure to specify the number of shares to which a proxy appointment relates or specifying a number in excess of those held by the Member will result in the proxy appointment being invalid. Please also indicate by selecting the box provided if the proxy instruction is one of multiple instructions being given.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

   Members can

   - Register their proxy appointment electronically (see note 9).
   - If a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 11).
   - If an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform (see note 12).
   - Request a hard copy form of proxy directly from the registrars, Link Group on Tel: 0371 664 0300 (see note 13).

Proxy voting using the Registrar's share portal

9. You may also submit your proxy vote electronically using the Share Portal service at www.signalshares.com. If not already registered for the Share Portal, you will need your Investor Code as shown on a recent dividend tax voucher or recent share certificate. For an electronic proxy vote to be valid, your appointment must be received by no later than 10:00 am on 19 May 2023.

Proxy voting via the LinkVote+ app

10. Link Group, the company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play or by scanning the relevant QR code below.

Apple App Store **GooglePlay**

Notice of Annual General Meeting
continued

CREST proxy voting (uncertificated shareholders)

11. (a) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

    (b) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & InternationalLimited (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuers' agent (ID RA10) by the latest time for receipt of proxy appointments specified in this notice or, in the event of an adjourned meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 am on 19 May 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointment of proxy using hard copy proxy form

13. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

    To appoint a proxy using the proxy form, the form must be:

    - completed and signed;
    - sent to Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL or delivered to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL (multiple forms should be returned in the same envelope); and
    - received by Link Group no later than 10:00 am on 19 May 2023.

    In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

    Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

    Calls to Link Group are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Appointment of proxy by joint members

14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

15. To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group on 0371 664 0300. Calls to Link Group are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which of more than one valid proxy appointment was deposited or delivered last in time, none of them shall be treated as valid in respect of the share(s) to which they relate.

Temination of proxy appointments

16. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL no later than 10:00 am on 19 May 2023.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

17. A corporation which is a shareholder can appoint one or more representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises power over the same share.

Information for Shareholders

Enquiring about your shareholding

If you want to ask, or need information, about your shareholding, please contact our registrar, Link Group, on 0371 664 0300. Calls to Link Group are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Alternatively, if you have internet access, you can access the shareholder portal at www.signalshares.com where you can, amongst other things, view details of your shareholding, set up or amend a dividend mandate and update your address details.

Electronic communications

You can elect to receive shareholder communications electronically by writing to our registrar, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. Alternatively, if you have internet access, you can access the shareholder portal at www.signalshares.com where you can elect to receive shareholder communications electronically. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Company Information

Registered Office

Baltimore House
50 Kansas Avenue
Manchester M50 2GL

Company Website

www.k3btg.com

Directors

T Crawford (Chairman)
M Vergani
E Dodd
G Hase (non-executive)
P Fabricius (non-executive)
O Scott (non-executive)

Company Secretary

E Dodd

Country of Incorporation of Parent Company

England and Wales

Company Number

02641001

Legal Form

Public limited company

Advisers

Legal advisers to the Group

Squire Patton Boggs LLP
No1 Spinningfields
1 Hardman Square
Manchester M3 3EB

DWF LLP
1 Scott Place
2 Hardman Street
Manchester M3 3AA

Nominated Adviser

finnCap Limited
One Bartholomew Close
London EC21A 7BL

Company Information continued

Auditors

BDO LLP
3 Hardman Street
Spinningfields
Manchester M3 3AT

Bankers

Barclays Bank plc
1st Floor
3 Hardman Street
Spinningfields
Manchester M3 3HF

Registrars

Link Group
Unit 10
Central Square
29 Wellington Street
Leeds LS1 4DL

Financial PR

KTZ Communications
No.1 Cornhill
London EC3V 3ND

K3 Business Technology Group plc
Baltimore House, 50 Kansas Avenue, Manchester M50 2GL
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